

AUDITORS: LOVE 'EM OR LEAVE 'EM

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October, 2011

Objectives

- ⦿ What is an audit, anyway?
- ⦿ How to get along with your auditors
- ⦿ What you need from the auditor
- ⦿ What the auditor wants from you
- ⦿ When to know it's time to make a change
- ⦿ Selecting a new auditor

Audit vs. review vs. compilation

	Audit	Review	Compilation
Level of Assurance	Reasonable (Highest Level)	Limited	None
Procedures Performed	Verification and Substantiation	Inquiry and Analytical Procedures	Basic
Obtain Understanding of Internal Control?	Yes	No	No
Test Effectiveness of Internal Control?	Frequently, not always	No	No
Test Transactions	Yes	No	No
Express Opinion on Financial Statements?	Yes	No	No



Why can't we all just get along?

- ⦿ Setting expectations
- ⦿ Meeting expectations?
- ⦿ What are your needs?
- ⦿ Are there surprises?
- ⦿ **Ongoing communication**
 - It's a two-way street

What do you want from your auditors?

- ◉ **Compatibility** in the relationship.
- ◉ The **natural affinity**, the "chemistry" between the practice and the client. Business is personal. Work is not about business; it's about us.
- ◉ Compatibility on a business level exists when the customer fits the practice's **customer profile**.
- ◉ **Communicate!** You want them to return your phone calls — or take them in the first place!
- ◉ **Listening** to your problems and goals and guiding you through the challenges they are facing.
- ◉ More calling to see if there is anything on your mind they can help you with. This lets you know they are **thinking about you**.

What do your auditors want (need) from you

- ⦿ **Openness and honesty/transparency**
- ⦿ **Timeliness**
 - > Be ready for your audit!
 - > The “readier” you are, the quicker they are finished!
- ⦿ **Information**
 - > If you think they might need to know, they do
 - > If you’re not sure if they need to know, they do
 - > If you think you’ve told them too much, you haven’t
 - > If they discover you are deliberately withholding pertinent information – **that’s a problem!**
- ⦿ **Access to**
 - > Personnel
 - > Information

Evaluating your auditor

To get started on the evaluation, discuss internally and then with your finance committee the following questions:

- ◉ How long have we been with our auditor?
- ◉ Are we happy with last year's audit process?
 - > Were we caught by surprise when they presented to the finance Committee/Board?
- ◉ Did the audit staff understand how our organization fulfills our mission?
 - > Did they ask questions beyond accounting?
 - > Did they talk to anyone other than the accounting staff?
- ◉ Are we getting the best service for our money?
- ◉ Are they nickel-and-diming us?

Evaluating your auditor

- ⦿ Did they provide valuable consultation?
- ⦿ Could they provide real-life examples?
- ⦿ Did they provide alternatives to our challenges (accounting, business)?
- ⦿ Could they discuss trends in the industry?
- ⦿ Did they provide feedback from a business perspective (or did they only talk accounting)?

It's time to make a change

Selecting an AUDITOR

Criteria to Evaluate?

- ⦿ Not-for-Profit Practice
- ⦿ Experience
- ⦿ References
- ⦿ Continuing Education and Resources
- ⦿ Community Involvement
- ⦿ Additional Services
- ⦿ Audit Team Continuity
- ⦿ Price
- ⦿ WHAT ARE YOUR PRIORITIES?

Matrix for evaluation

YEAR ONE

Firm	Fees Audit	Fees Tax	discount/ donation included	Total Fees - Year 1	Fees Prop Tax	Fees Year 2	Fees Year 3	avg 3-yr	Contact prior to proposal	Experience	Observations	Time Responsive Table	Responsive to RFP	Other
FIRM 1	\$ 13,500	\$ 2,250	70% of rates	\$ 15,750	\$ 900	\$ 16,700	\$ 17,550	\$ 16,667	email request for FS and 990	indicated as extensive - varying sizes, listed several examples	bullet points of risk areas: cash management, investments, TR/UR asset classification, accounting for contrib, allocation of functional expense categories	will meet June 1 deadline	yes	
FIRM 2	\$ 19,500	\$ 4,500		\$ 24,000	\$ 400	\$ 24,600	\$ 25,200	\$ 24,600	email request for FS and 990, conversation	extensive - generally larger orgs	noted high Fsupporting svcs percentage, but showed comparisons to other SO as comparable, identified risk of cash handling in areas and counties, also noted strength of SOIN's financial condition	did not provide	no - did not provide timeline	if use CTRAC for self prep on 990 - \$1850
FIRM 3	\$ 20,300	\$ 900		\$ 21,200	\$ 200	\$ 23,000	\$ 24,700	\$ 22,967	email request for FS and 990	did not include any info about experience, but listed 4 NFP references	none	late Jan/early Feb	no - did not discuss experience	
FIRM 4	\$ 19,000	\$ 3,000	\$ 5,000	\$ 17,000	\$ 600	\$ 17,750	\$ 18,500	\$ 17,750	email request for FS and 990, conversation - very thorough	extensive - varying sizes, listed types served, 6 client references	noted strengths: revenue composition. Identified need to look at joint costs SOP 98-2 (relates to whether or not FR expenses could be more allocated to programs), noted also need to look closer at allocation methodology to ensure allocated as much as poss to program. Identified risks: area dna county offices.	will meet June 1 deadline	yes	
FIRM 5	\$ 28,550	\$ 2,305	\$ 10,205	\$ 20,650	\$ 260	\$ 21,540	\$ 22,450	\$ 21,547	email request for FS and 990, conversation - very thorough	didn't list, noted varying sizes and 130 orgs	identified risks: investment market risk, cash receipts at 70 orgs, 7500 volunteers, segregation of duties noted in prior comment)	mid-April	yes	PBC comment
FIRM 6	\$ 20,000	\$ 2,000	\$ -	\$ 22,000	\$ 545	\$ 22,000	\$ 22,000	\$ 22,000	none	incumbent, didn't provide list	none	did not provide	no - did not provide timeline	
FIRM 7	Did not propose or contact													

Timing

- ◉ SAS 109
- ◉ Transition
- ◉ Planning
- ◉ Communication

AICPA Audit Committee Toolkit: NFP Organizations

- ◉ Contents

- ◉ Electronic copy:

[http://aicpa.org/audcommctr/toolkitsnpo/
homepage.htm](http://aicpa.org/audcommctr/toolkitsnpo/homepage.htm)

- ◉ Checklist for Nonprofits and Foundations:

http://www.independentsector.org/PDFs/sarbanesoxley_checklist.pdf

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