



# HELPING YOUR AUDITORS

By James A. Lindsey, Jr., *Managing Partner*

**F**or more than a decade, the accountants at Lindsey + Associates have annually been conducting between ten and twenty municipal audits for large and small organizations throughout Maryland. From that experience base, we have learned that by following five straightforward guidelines your organization can decrease the cost and increase the efficiency of your audit. Here they are:

## **[1] PREPARE IN ADVANCE**

Since I have been involved in scouting for most of my life, and both my sons earned the rank of Eagle, it goes without saying that I'm a big believer in the motto: "Be Prepared." From the outside auditor's perspective that means the time spent by your staff throughout the year keeping up with regular recurrent transactions and doing timely bank reconciliations will pay dividends.

After we arrive and set up a work center, one of the first questions we ask our clients is, "What has happened since the last audit that we should know about?"

A good way to help answer that question and minimize surprises is to create an "Of Interest to Auditors" file and make it an unwritten rule to put anything that will facilitate your audit in that file. Examples could include, but not be limited to: copies of new debt contracts, including facility and equipment leases; minutes of meetings; grant agreements; paperwork related to major purchases; all insurance policies in force during the audit year, payroll/941 records; the original and final budget, and anything else you deem appropriate

## **[2] TIME IS MONEY — SAVE IT**

Because the audit is an annual event, the date or time period is set in advance. Anything that can

make the process run smoothly from year-to-year is worth doing.

Knowing when your auditors will arrive allows you to prepare before they ring the doorbell. For starters, make sure that ALL relevant filing is current and that an electronic copy of the general ledger and trial balance are ready. Also have the June 30 investment and bank statements and reconciliations handy.

Planning is paramount. Make sure to schedule and allow for the necessary time that interim testing and year-end field work will require. Recognize that auditors need access to any and all paperwork and records that support any significant transaction. Have available a one-page document that explains the protocols for obtaining necessary payment printouts from the applicable state website.



### **[3] TAKE ADVANTAGE OF TECHNOLOGY**

Gaining maximum leverage from investments in technology is a critical challenge for every sector of the economy today.

During an engagement I've often found that, for whatever reason, my client hasn't taken the time to fully understand the capabilities of current innovations in software and how to apply them to the job at hand.

For example, in the area of spreadsheet software, Microsoft Excel™ is unquestionably, the category leader. Therefore, proficiency with it is an indispensable skill for auditors, accountants, and financial managers.

So often, clients do not understand that their financial management information system offers many time-saving and analytical opportunities. We often can show our clients ways to save time by just using the capabilities of their existing software. And we all know that time saved eventually translates to money saved.

External auditors bring a fresh viewpoint and current expertise, so talking to and working with them on technological issues will have both an immediate and a long-term payback.

### **[4] INVEST IN TRAINING**

Money spent on training is a unique form of business expense. It represents an investment by the organization in their employees as a means of securing improved workplace performance. For some time now return on investment (ROI) has been the Holy Grail of the training industry; the Catch-22 is that no individual, group, or organization has come up with a fail-safe metric to measure it for learning. While accountants and auditors take great pride in speaking the language of numbers and seek to quantify most things, they realize that dollars spent wisely on training will reduce the risk of fraud, lower operating costs, and increase the ability of an organization to perform its mission.

### **[5] STAY IN TOUCH — ONGOING TWO-WAY COMMUNICATION**

One of the big variables in both government service and the accounting profession is people. Today it's a fact of business life that employees frequently change jobs or positions, so staff transitions occur all the time. Therefore relationships formed between auditors and municipal employees over several years are subject to natural career

progression and advancement. So if it's highly likely that the same players won't be on the field every year, it is extremely important to maintain lines of communication.

Moreover, while audit firms can reach out with telephone calls, e-mails, and printed materials, the municipality has to take some responsibility and be proactive. For example, if the client knows of a future, unusual, or infrequent transaction, such as the possible annexation of property with buildings, don't wait until after the transaction, because it may be too late to benefit from the counsel and expertise of your auditors.

Conversely, the auditors can facilitate discussion on actual or impending accounting rulings or pronouncements, what constitutes an appropriate response, what future implications might be, or whether it is beneficial to consider early adoption.

This kind of sharing of ideas and information can lead to the development of better standards, easier implementation of new standards, and no surprises at year-end. At Lindsey + Associates, we have distilled our experience to a handy spread-sheet check list. If you wish a copy, send an e-mail to [info@acpafirm.com](mailto:info@acpafirm.com).



## **Lindsey + Associates**

Jim Lindsey has been providing accounting, auditing, tax, and consulting services to clients for over 25 years. He graduated magna cum laude from the University of Maryland and earned an MBA from The Wharton School.