



“Help, We Need An Audit (Or Do We?)”

It’s an all-too-common situation at nonprofits: Your new executive director doesn’t like the accounting software his predecessor used and wants to “check the books” before converting to a new system. Or maybe it’s a potential major donor who wants assurance that your finances are in order before making a gift. Somebody shouts, “Help, we need an audit!”

In these examples, a full-scale audit may not be required. Often, there are much more efficient (and cost-effective) ways to address financial and accounting issues than a time-consuming audit. The key is an open and frank discussion with your accounting team to determine what accounting steps are in order.

What An Audit Is (And Isn’t)

An audit is a spot check of information, not an exhaustive review of all financial transactions. A clean bill of health from an auditor means only that the auditor is convinced that the financial statements do not misrepresent the organization's financial position in any significant way.

Before calling in the cavalry for a full-scale audit, consider these three steps:

- 1) Determine your concerns.** What is it that you are actually concerned about? What results do you want? Make sure you can clearly articulate what your concerns are and the desired outcome of any action you take.
- 2) Evaluate your options.** Is there some less costly report than an audit that will address your concerns and those of your funders (e.g., a review of your financial statements or internal control review and testing)?
- 3) Speak frankly.** Share the results of these first two steps with your accounting team. Using his or her best professional judgment, your CPA can then recommend the best course of action.