



SALMON SIMS THOMAS

Accountants and Consultants

The [Almost] Painless Audit

Presented by

Rick Thomas

Salmon Sims Thomas Associates, PLLC



Understanding Your Audit

- Auditing requirements
- Two ways to perform an audit



Career School Audit Requirements

- Compliance audit every two years
- Compliance audit and financial statement audit every year
- 90/10 ratio
- Related party receivables



Career School Audit Standards

- Minimum sample requirement
- 5% error level
- Review of refund checks
- Review of fraud control
- More intensive audit of internal control and fraud issues: comparable to Sarbanes Oxley regulations



Choosing Your Audit Process

- Traditional audit
 - Benefits
 - Steps
- Electronic audit
 - Benefits
 - Steps



Traditional Audit Benefits

- Thorough and detailed information from time on-site
- More client/firm interaction



Traditional Audit Steps

- Planning
 - Gather documents to give to staff
- Fieldwork
 - Provide space, staff availability
 - Expect daily status meetings and action items
- Wrap up
 - Follow up, set deadlines for completion



Electronic Audit Benefits

- Save staff time, less interruption
- Lower cost due to less time, travel
- Fulfill compliance needs with minimal effort



Technology Audit Steps

- Scan support documents: invoices, leases, student files, bank statements
- Store information in electronic documents such as PDF or Excel
- Provide to firm for off-site audit



How Audits Are Priced

- Methods of Pricing Audits
 - Hourly fees
 - Fixed price
- Billing travel and other out-of-pocket expenses
 - Actual Costs incurred
 - Per diem rates
 - Charged time for travel



Saving Money With Traditional Audits

Minimize travel and out-of-pocket expenses

- Make the hotel reservations
- Provide transportation
- Pre-determine per diem rates
- Maximize work performed at CPA's office
- Establish deadline dates
- Request substantial completion before auditors leave school
- Set exit interviews
- ***Follow-up, Follow-up, Follow-up***



Example

- Alternative #1: A Career School with two campuses and 850 students; CPA firm 500 miles from school; CPA firm's budget for both compliance audit and financial statement audit is \$14,000 plus out of pocket expenses; staff requirements are 3 on site for four days.
- Alternative #2: Same as above except staff requirements are one on site for three days.



Managing Your Audit Fees

	#1	#2
Air Transportation		
3 x \$225	\$675	
1 x \$225		\$225
Lodging		
3 x 3 nights @ \$90	\$810	
1 x 2 nights @ \$90		\$180
Meals		
3 x 4 days @ \$40	\$480	
1 x 3 days @ \$40		\$120
Staff Travel		
3 x 4 hrs x \$90/hr	\$1080	
1 x 4 hrs x \$90/hr		\$360
Shipping Scanner and Computer	-0-	\$400
Total Cost	\$3,045	\$1285
Savings Alt. 1 VS. Alt 2.		\$1760
% Savings \$1,760/\$17,045		10.3%



Summary

- Decide which type of audit is best for your school
- Control the process, prepare needed documentation
- Determine ways to be efficient



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Questions?

Feel free to contact any member
of our career school team at

888-332-4829 • 972-392-1143

www.sstcpa.com