



**SALMON SIMS THOMAS**

*Accountants and Consultants*

# **The [Almost] Painless Audit**

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# 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
<b>Total Cost</b>	<b>\$3,045</b>	<b>\$1285</b>
<b>Savings Alt. 1 VS. Alt 2.</b>		<b>\$1760</b>
<b>% Savings \$1,760/\$17,045</b>		<b>10.3%</b>



## **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

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