



Auditor of State Dave Yost

Why are my audit costs so high?

The price of an audit depends on the time it takes an auditor to file a complete report.

Auditors observe these occurrences that contribute to higher costs:

- ▶ Failing to maintain complete, accessible records.
- ▶ Having weak controls over assets, transactions and records.
- ▶ Failing to routinely reconcile account balances to bank balances.
- ▶ Not assuring key personnel will be available to speak with auditor or answer questions.
- ▶ Lacking in training and understanding of applicable compliance and accounting requirements.
- ▶ Not completing the Schedule of Federal Expenditures in support of single audits, as required by law.

What can I do to lower my audit costs?

Being prepared for an audit saves time and money. Here are suggestions that can help.

Ensure Complete, Easily Available Records

The first step to a good audit is complete, readily accessible records. In fact, few things slow down the audit process more than failing to maintain complete, easily available records. Record keeping falls under many categories, including:

Senior management operations

- Board and committee minutes
- Approved budgets and amendments
- Contracts, including competitive bid documents
- Notes receivable and payable
- Material leases
- Insurance policies and coverage pages

Day-to-day Records

- Canceled checks
- Monthly bank reconciliations
- Receipt books and deposit slips
- Petty cash records and policies
- Authorized signatories
- Payroll and non-payroll expenditures

Making these records readily available in an easy-to-use format is the most important step to a cost-effective audit.





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How to Lower Audit Costs

Improve Internal Controls

Establishing proper controls over assets, transactions and records is one of the key tenets of good accounting. Known risks with inadequate controls is sure to increase audit costs.

Examples of internal controls:

- Time sheets. Ensure that time sheets reflect the activities of the employee and entity; key is an approval process.
- Timely bank reconciliations. Adequately document and follow through with required adjustments to the reconciliation, and documents requiring supervisory approvals.

Make Key Personnel Available

Only you know the specifics of your operations. Financial officers and other responsible officials should ensure that all key personnel with knowledge of procedures and daily operations are reasonably available to respond to auditor inquiries. Where necessary, e.g. summer break for school districts, special arrangements can be made to have audit staff perform some work when knowledgeable employees are available.

Keep Reconciliations Up to Date

Account balances that are unreconciled to bank balances is one of the biggest obstacles to an affordable audit. The only cure is a prompt, routine reconciliation of accounts, with adequately documentation. Overly general, inadequate descriptions might lead to additional work if they fail to justify changes.



STAY AHEAD of routine responsibilities to avoid hassle and added cost

Adequate Training & Technology:

Well-trained employees may reduce inquiry response time to minutes when they know management procedures, governmental accounting, and entity-relevant laws and regulations, in addition to the relevant information technology.

Comply with Single Audit Requirements

Inadequate or missing Schedules of Federal Expenditures in support of federally mandated single audits is among the most common audit failures. Federal funding is conditioned upon compliance with federal reporting and substantive operating standards. Incomplete schedules are certain to raise audit costs.

Options for ensuring complete and accurate federal reporting and compliance include additional employee training, understanding grant agreements, attention to cost principles (e.g., Circular A-87), specialized internal controls, working with grantor agencies, and peer and specialized consulting.

683681	657250	26431	9945	0.033	30 to 1	0.38
1726800	1647300	79500	16037	0.032	32 to 1	0.30
1240731	1196610	44120	21230	0.029	35 to 1	0.30
1232508	1152245	79663	51400	0.047	21 to 1	0.77
644673	583763	60910	38100	0.039	26 to 1	0.18
588705	531062	37643	29000	0.029	34 to 1	0.31
1445969	1369727	76242	13500	0.041	25 to 1	0.45
1492922	1430933	61989	19000	0.036	28 to 1	1.00
978951	933405	45546	20700	0.033	30 to 1	0.53
593168	568389	24779	24900	0.032	32 to 1	0.20
3127061	3001093	125968	67200	0.029	34 to 1	0.48
1726800	1647300	79500	16037	0.029	35 to 1	0.65
1240731	1196610	44120	21230	0.056	18 to 1	0.30
1233508	1152245	79663	51400	0.029	35 to 1	0.77
644673	583763	60910	38100	0.029	34 to 1	0.38
588705	531062	37643	29000	0.041	25 to 1	0.45
1445969	1369727	76242	13500	0.036	28 to 1	1.00
1492922	1430933	61989	19000	0.033	30 to 1	0.53
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593168	568389	24779	24900	0.029	34 to 1	0.48
3127061	3001093	125968	67200	0.033	30 to 1	0.53



Be Aware of Special Circumstances

Do you have operations that are unique or unusual in your peer group? Special circumstances may include unique operations, or unique risk factors, such as unusual frequency or character of cash transactions.

Special circumstances demand unique training and knowledge of any applicable compliance and accounting requirements. The entity and its officials are always the first and best judges of special risk, and ultimately management is responsible for understanding the unique nature of each entity.