

## Keys to Reducing Audit Anxiety

By Mark Yoder

WHETHER YOUR ORGANIZATION HAS JUST COME OUT of its most recent audit, or is about to undergo the annual process, there are several steps that can be taken throughout the year to mitigate the stress the audit can cause to your ministry's daily operations.

### Begin with the End in Mind

Pull out last year's financial statements, adjusting journal entries and final trial balance. Rather quickly, you'll recall those troubling areas that took the extra time to wrap up before issuance of the prior year's financial statement. Whether it was a change in the functional expense allocation methodology, a new software conversion that called for capitalization of software development costs, etc., tackle those areas early. Update the current year status and make the entries to account for the activity in advance of the audit. Make it a goal to not have the same audit adjustments recur during the following audit. Completing updates to last year's financial reporting issues will allow these obstacles to be negated in advance.

### Schedule for Success, Not Failure

Determine the deadline for delivering the financial statement to the intended users and agree with your auditors on the schedule. Working backward from the delivery date, establish an audit calendar to allow you and your staff adequate time to prepare for the items auditors request, in order to understand the events occurring in your ministry since the previous audit.

### Devote Adequate Preparation Time

Audit preparation is time consuming. Only by reducing the number of meetings, delaying other non-critical projects, etc., will you give your staff the necessary time to complete it. Without uninterrupted preparation time, I find many things slip through the cracks that only end up increasing audit anxiety. To reduce this significant preparation time, consider performing a monthly/quarterly closing during the year. This helps to identify potential problems, as well as reduce the preparation at year end, because you're completing it throughout the year.

### Communicate with the Audit Point Person

Take your auditor to lunch. Better yet, have your auditor take you to lunch and discuss the current year events. Send the information the auditor requests every year as it occurs. Why wait until audit time? Create an information pipeline to funnel to your auditor the new agreements your ministry entered into, board minutes, interim financial statements, etc. The more your auditor knows about your organization as it occurs, the less chance there is for a big issue to be lurking on the sidelines to delay completion of the financial statement.

### Determine Financial Impact in Advance

Is your ministry contemplating a new endeavor, yet unsure of the accounting implications? Get your auditor involved up front. Too often decisions are made without realizing the impact to the organization's financial reporting. As an example, a ministry embarks on a capital campaign with the understanding that donor commitments should be treated as faith promises; however, the communications to the donors contain language that indicates that pledges are created. The result: pledges now must be recorded to the financial statements.

Another example: a non-liquid gift is provided to the ministry, yet the ministry needs to value the gift for financial reporting purposes. The result: the ministry has to pay for an appraisal.

Don't wait to find out if you're walking in a minefield when it comes to financial reporting issues. In most cases, adjustments can be made to lessen or even eliminate the issue as a financial reporting item altogether.

The audit is both a predictable and unpredictable process. The end result is an audit opinion attached to your organization's financial statements. How fluid the audit process goes depends on an organization devoting the adequate resources and time to the process. Proper planning and a working relationship with your auditor will go a long way to reduce the anxiety during your organization's next audit.

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