



## ARE ALL AUDITS THE SAME?

### Questions to Ask Before Hiring an Auditing Firm

Audit reports from different CPA firms may look the same, but do you really know the amount of work and expertise that went into performing your audit? Is your Association getting the most benefit for the money paid for the audit?

Audits can be designed in many ways to meet auditing standards and audit reports have required standard wording, so audit reports may look similar. However, the underlying work that the auditor performs to support the audit report is important. Before you hire an auditing firm, make sure you understand the work the firm will do for your Association. It could save you thousands of dollars!

### How much experience does the firm have in auditing Common Interest Realty Associations (CIRAs)?

It is important to know your auditor understands CIRAs and their unique accounting needs and operations. Our firm specializes in providing audit and tax services exclusively to CIRAs, and we have been doing this for more than 40 years.

### What is your firm's quality control process?

A CPA firm's quality control process is essential to ensure the firm is following audit and accounting standards. Our firm's quality control process is multi-layered, both with audit work papers and audit reports. The audit fieldwork is performed by an auditor and once completed, the audit report and work papers are reviewed in detail by the principal-in-charge. The audit report is then reviewed by a staff accountant and a technical reviewer before going to the client in draft format and by a principal at finalization.

### Does the auditor obtain an understanding of the Association's internal controls during the audit?

It is important for the auditor to obtain an understanding of the internal controls so the audit fieldwork can be properly planned and the auditor can let the Association know if there are any internal control areas to be improved. Our firm obtains an understanding of the internal controls each year. We ask questions of the board, management agent and property manager to obtain our understanding of the internal controls. We also perform walk-throughs of the important internal controls during our audit fieldwork.



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**Q How many hours will the auditor spend on the audit fieldwork?**

The quality and quantity of the audit fieldwork has a direct impact on the quality of the audit and the benefit the Association gets out of having an audit conducted. In accordance with our firm's policy, a majority of the hours on the audit engagement are devoted to the audit fieldwork.

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**Q Who will prepare our tax returns?**

CIRA taxation issues can be complex and are often very unique. The Association needs a CPA firm that knows the tax issues that CIRAs encounter. Our firm has a separate, fully staffed tax department that makes sure our clients don't pay more taxes than required. Tax returns are prepared and signed by a CPA. We also handle tax research for our clients. Our tax return preparation process also includes a multi-layered quality control process.

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**Q Do you look at our bank statements, paid invoices and contracts during the audit fieldwork?**

For most Associations, expenses are the one area of the financial statements that are variable and subject to more risk. Therefore, examining bank statements, activity in bank accounts, paid invoices, and contracts should be an important part of the audit. Our firm looks at all of these records and more. We schedule all of the Association's bank account activity for the year. We reconcile the cash receipts from the bank statement to the general ledger to ensure the Association's funds remained in the Association's bank account during the year. We trace cash transfers and reconcile the interest earned from the bank statement to the general ledger. We examine supporting documents for 70%-80% of the disbursements to ensure the disbursements are for services provided to the Association and are not duplicate payments. We also reconcile payments made to vendors to the contracts approved by the board. We are often the last ones to look at these records. Our firm finds hundreds of thousands of dollars in duplicate payments or overpayments each year that are refunded to our clients.



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