

HOW AN ASSOCIATION MANAGEMENT COMPANY CAN HELP LOWER AUDIT FEES

Association management companies (AMC) can bring a high level of financial expertise to an organization at a very reasonable cost. A small or medium-size stand-alone organization might only have a single unsupervised bookkeeper or accountant on staff. Many AMCs have a staff of accountants or bookkeepers with an accounting manager or even a controller supervising the workflow. In the latter case, the cost of the financial function is shared among multiple AMC clients providing an excellent value to the organization.

An annual independent audit is highly recommended for an association. It provides verification to the membership and potential membership that financial integrity is very important to the organization. However, the cost of an audit can be expensive. The following conditions will generally raise the cost of an audit to an association.

- Sloppy record keeping which requires the auditor to make several adjustments at year-end.
- Poor segregation of financial duties within the organization due to limited number of financial personnel.
- Lack of competent financial management on staff.
- Lack of written financial operating procedures.
- Turnover of financial staff.

An AMC with a competent financial staff can address all of the above items that add unnecessary cost to the audit.

- Bookkeepers that are well trained and supervised ensure that a clean set of records is available to audit.
- Personnel availability allows segregation of duties in key functions such as cash receipts, cash disbursements and account reconciliation.
- Management level financial personnel supervises staff ensuring the records are accurate and that issues are properly addressed in the financial statements.
- Written operating procedures ensure consistent application of accounting methodology.

- Turnover in a one-person financial staff has a high risk of errors occurring and can disrupt the operations of the organization. Turnover in a well-trained and organized finance department can be handled without disruption.

Organizations that can address these issues provide the auditor with a low-risk environment to perform the audit and a set of records requiring few adjustments. Those conditions result in the lowest possible audit fee. Many AMCs can provide this benefit to a client at a reasonable cost, perhaps less than they are paying as a stand-alone organization.

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