

Why your auditors always seem cranky

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Who's minding the store? Auditors perform an important function in nonprofits, but management has control over the risk environment and the process of minimizing risk. Risk assessment cannot be delegated to an auditor, or the result could be hazardous to the health of the organization.

That was the advice offered by Hilda Polanco, founder of Fiscal Management Associates, LLC, and Ronald F. Ries, CFO of the Jewish Board of Family and Children's Services, Inc., at the AICPA Not-For-Profit Financial Executive Forum held in Anaheim.

New regulations, as well as heightened scrutiny in general, have brought about changes in the items that auditors watch closely, and nonprofit managers have to be aware of them. Polanco and Ries said that there are four main areas of auditor focus:

- Audit administration. Auditors are looking especially at the dating of the audit report and coordination with external auditors.
- Financial reporting. Of concern is the inability to prepare financial statements, significant audit adjustments and ineffective oversight over financial reporting.
- Internal controls and controls comments. Concerns include inadequate segregation of duties, no safeguarding of assets, lack of timely reconciliations and no monitoring of internal controls.
- Staff development. Of concern here are the qualification and training of employees.