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CERTIFIED PUBLIC ACCOUNTANTS

Accounting and Auditing Issues For Non-Profit Organizations

- I. Non-Profits Board's Responsibility for Financial Reporting and Fraud Detection - Statement on Auditing Standards (SAS) No. 99, Consideration of Fraud in a Financial Statement Audit, is the first major audit standard to be released since the passage of Sarbanes-Oxley. It established new responsibilities for the auditor for detecting fraud in an audit. In addition its implementation includes certain guidelines for board members and audit committees of non-profit organizations with respect to fraud in their organizations.
 - A. Creation or implementation of an oversight functions at the Board or Audit Committee level.
 1. Create a "tone at the top" to help reinforce management's commitment to "zero tolerance" for fraud.
 2. Evaluate management's identification of fraud risks and implementation of anti fraud measures.
 3. Obtain from auditors their views on management override of controls and other influence on the financial reporting process.
 - B. Financial reporting
 1. Require that an annual budget be prepared by the organization and be reviewed and approved by the Board of Directors in advance of the beginning of the fiscal year.
 2. Require that monthly financial statements be prepared in a timely manner (15-30 days after the end of the month) with the actual results compared to the budget. The Finance Committee of the Board of Directors should be provided with financial statements with adequate time to review them in advance of the committee meeting and should review them in detail at the Financial Committee meeting.

C. Establishment of internal employee reporting mechanism at the Audit Committee or Board level.

1. Mechanism for employees to report concerns about unethical behavior, actual or suspected fraud or violations of the organizations code of conduct or ethics policy.
2. Periodic reports describing the nature, status and eventual disposition of any fraud or unethical behavior.

II. Determination of the need for audited or reviewed financial statements

A. Funding requirements

1. Government contracts
2. United Way and other agency contracts
3. Large grant providers

B. Board of Directors – Improved financial reporting can provide for a stronger Board of Directors.

C. Marketing for funding

III. Minimizing the cost of Reviews and Audits

A. Complete all items in I.B. above

B. Invite auditors and sit in on finance committee meetings either monthly or quarterly through out the year.

1. Have follow-up meetings at least twice per year to discuss the audit, issues and ways in which the costs can be minimized.
2. Have them take notes and use as analytical review procedures for the audit.

C. Reconciliation of all balance sheet accounts to the general ledger.

1. Provide detail of the components of the accounts at end of the fiscal year.
2. Ask for and receive the details to be tested in the audit prior to fieldwork and have the supporting documents ready.

- D. Contracts and agreements. – Make copies of all grants and or contracts ended during the year and summarize the financial portions and the delivery requirements of the contract.
- E. Establish policies regarding providing an allowance for doubtful receivables review the actual experience on a regular basis and change the policy as is required.
- F. Take responsibility for drafting the financial statements and footnotes in advance of the audit.