

How to get Value from Your Audit Relationship



Do you feel like the annual financial statement audit for your health care organization is a costly exercise that adds little or no value to the performance of your organization? If you do, you may be in need of audit process improvements. This article is designed to help ensure the dollars you spend with your audit firm both add value and ultimately make your organization better. To do so, we are going to “debunk” several commonly held misconceptions about audits and auditors.

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The cheaper we can get the audit for the better.

Just like most things in life, you get what you pay for. Health care organizations that hire a firm with an understanding of their industry and that are willing to pay a fair price for their audit services should expect the firm to provide responsive and timely service and to add value to their organization. Many health care organizations receive tremendous value from hiring a high-quality firm with expertise in the health care industry because access to capital, which is critical for long-term success, is improved. Existing and potential creditors will have a much higher degree of comfort with an audit performed by a

reputable, high-quality firm with specialization in the health care industry.

In addition, if you are served by a firm with health care industry expertise, they should help you understand how your revenue and cost levels compare to your peers within the industry, where you may have operational opportunities, and how you can use this information to improve your financial performance. Finally, you should expect to receive industry updates from your firm and should expect your client service professionals to be involved with and present at health care industry associations and conferences.

We should rotate audit firms at least every three to five years.

If you are receiving good client service from your existing firm at a fair and competitive price, there may be no compelling reason to change. Those are, however, two big “ifs,” and to understand whether you should consider a new firm, you have to be willing to objectively assess whether you are truly receiving good client service at a

fair and competitive price. Organizations that are convinced they need a fresh perspective but aren't interested in changing firms can also request a change in the audit partner or manager on the engagement. This can be an effective compromise to the firm rotation question.

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When you work with a firm that possesses deep knowledge of your health care organization, you can be assured that they will understand how your organization works and will build an audit process around your needs.

Changing audit firms is painful and should be avoided at all costs.

A high-quality firm understands the need to minimize the disruption to each new client and will have established processes that work well to minimize the pain of adjusting to a new firm. When you work with a firm that possesses deep knowledge of your health care organization, you can be assured that they will understand how your organization works and will build an audit

process around your needs. Keep in mind that the new firm will also have additional one-time costs associated with building a new-client relationship; however, most firms absorb these one-time costs. If a prospective new firm wants to charge you additional transition fees, we recommend you consider choosing a different firm.

I am always training new auditors on my business.

It is true that not all audit associates will understand your organization, especially new audit associates who might have recently joined the firm. Believe it or not, however, it is desirable to have some turnover (especially at the lower levels) on your audit team. A minimal amount of associate turnover helps keep the audit fees down

and new associates who specialize in health care can provide a fresh perspective. If you are experiencing significant turnover on a recurring basis, however, it may be time to consider a switch to a firm that can commit to greater engagement team consistency.

I should do the least amount of work for the audit process as possible and have the auditor prepare all the audit workpapers.

For health care organizations interested in a cost-effective audit, doing everything possible to help the auditors get in and out quickly will result in a less costly and, equally importantly, less stressful audit. This includes:

- Ensuring all balance sheet accounts are reconciled.
- Preparing special workpapers requested by the auditor.
- Providing explanations for unusual transactions or balance changes from the prior year.

Having all workpapers prepared and checked for

the audit team upon their arrival is a great way to almost always ensure a smooth and relatively painless audit experience. If the audit firm assists in reconciling accounts, determining necessary adjusting journal entries, or preparing audit workpapers, you can reasonably expect to incur additional fees from your audit firm.

We encourage health care organizations to continually strive, each year, to be progressively more prepared for the audit. It can be very helpful to seek templates and training from the audit firm and have open dialogue as to how the process can be improved.

Our audit firm should not be allowed to provide consulting services to our organization.

This blanket statement is not true for the vast majority of organizations, health care or otherwise, and is counterproductive to achieving great outcomes on nonaudit-related services. Organizations that are publicly traded are subject to Sarbanes Oxley (SOX) regulations. These regulations prohibit certain types of services in an effort to maximize the “independence” of the independent certified public accounting firm. These regulations, however, were designed for very large companies where the fees for very large consulting engagements could overshadow the audit fees and could cause the auditor to be more likely to look the other way if dealing with

inappropriate accounting practices or reporting matters. Keep in mind that the SOX regulations are designed for consulting and audit engagements well beyond the size of a normal entity. The inability to exercise appropriate audit skepticism can result in audit failure and loss of license and reputation. For the typical audit, an ethical CPA would not allow consulting fees to impair his or her judgment when it comes to audit-related matters. The level of consulting fees for most clients, even if they seem significant to the client, are not at the level that a CPA would take the professional risk.

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...when you work with a firm specializing in the health care industry, you will receive expertise at various levels since associates are continuously gaining industry knowledge from higher level partners.

My auditor sometimes wants to get together for lunch or dinner or have a call for no particular reason. This seems like a waste of time and, worse, seems like they are trying to buy my allegiance.

Social situations provide an important opportunity for the auditor and auditee to build a good relationship, which is the basis for a solid, professional, and value-added working relationship. In addition, it provides an opportunity for you to share some of the challenges within your health care organization in a nonthreatening, casual environment. Often, if you share your challenges, the auditor will be

able to provide greater consultation and will be better able to add value during the audit process. Think of the social outing as a free consulting session where you can pick the brain of a health care industry specialist who has exposure to best practices at other similar industry organizations. If a prospective new firm wants to charge you additional transition fees, we recommend you consider choosing a different firm.

If I call my auditor during the year, it will just cost me more money.

Many firms don't like to nickel-and-dime their clients any more than the clients like to be nickel-and-dimed. If a client calls to ask a question periodically, often the client will not get charged. In addition, this type of routine call can be an opportunity to catch up on other business issues you are facing and get some more of that "free

advice" from your auditor. On the other hand, firms do exist financially by providing client service and consultation, so if you are a frequent caller or call for a specific issue that requires time to answer or research, it is reasonable to expect that you receive a bill for services rendered.

I should expect the audit partner to be intimately involved in my client service. If the partner isn't involved, I'm not getting great service.

In general, it is up to each individual client how much they want the audit partner involved in their account. While partners will generally have the most experience, they also come at a higher fee. We recommend that you build a good relationship with the partner and at least one other associate at a lower level within the audit firm. By doing so, you will be able to get your questions answered

at the appropriate level, keeping the difference in fees in mind when deciding who to contact. Also, keep in mind that when you work with a firm specializing in the health care industry, you will receive expertise at various levels since associates are continuously gaining industry knowledge from higher level partners.



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In Summary

In summary, the value you receive from your audit service provider is usually closely related to the investment of time and money in the relationship and the audit process. Working with a firm that has invested in knowing your industry and employs a team that has chosen to become health care experts will greatly improve the effectiveness

and efficiency of your audit process.

We hope this article has provided you with some perspective on how to get more value out of the relationship you have with your auditing firm, and we encourage you to use this scorecard to better evaluate your current service provider.

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Audit Firm Client Service Questionnaire	1 POOR	2 AVERAGE	3 GREAT
The firm that provides our services:			
Has expertise in my industry			
Has a good reputation in my industry			
Offers a full range of business services			
Is fairly priced relative to the value we receive			
The client service provider I work with:			
Treats me as a valued client			
Is responsive to my inquiries			
Is accessible and returns calls or e-mails in a timely manner			
Provides explanation of deliverables			
Meets with me regularly face to face			
Communicates proactively			
Offers proactive ideas and solutions			
Understands my organization's overall goals and business needs			
Follows through with commitments			
Bills fairly for services as agreed upon			
The audit team assigned to my engagement:			
Understands and has experience in the industry			
Has experience with us as a client (not a new team every year)			
Is professional and courteous in working with our staff			
Delivers on their commitments			
Is accessible and returns calls or emails in a timely manner			
Delivers the engagement deliverables in a timely manner			

Contact Us

Wipfli has resources available to answer any of your questions regarding the audit process at your organization. Make sure you understand how the audit process works and what is expected of your team before you evaluate new firms. Contact one of us to help you through your decision-making process.



Kim Heller, CPA, Partner
Wisconsin and Minnesota

Contact Kim at
kheller@wipfli.com | 952.548.6767



David Brenne, CPA, Consultant
Minnesota

Contact David at
dbrenne@wipfli.com | 952.548.3364



Wayne Hiett, CPA, CFF, CGMA, Partner
Montana

Contact Wayne at
whiett@wipfli.com | 406.728.1800



Fran Egan, Manager
Pennsylvania

Contact Fran at
fegan@wipfli.com | 610.565.3930



Tim Ritter, CPA, Partner
Minnesota, North Dakota, and South Dakota

Contact Tim at
tritter@wipfli.com | 952.548.3401



Melanie Mick, CPA, Senior Manager
Washington, Idaho, Oregon, and California

Contact Melanie at
mmick@wipfli.com | 509.232.2039



Corina Schoenke, CPA, Partner
Wisconsin, Illinois, and Michigan

Contact Corina at
cschoenke@wipfli.com | 414.259.6730

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