



When to change your auditor

BY VONNA LAUE

Should you change audit firms? If so, when? Neither not-for-profit nor public companies are required to change firms at set intervals. Also, while there are times when it may be appropriate to switch, it is not a decision to be made lightly.

Studies have shown that changing audit firms can result in higher audit fees, because firms will not be able to recover all of the costs they typically treat as an investment in the business relationship and absorb over time. Switching firms can also result in a lower quality audit. An auditor who works with your organization over consecutive years gains substantial understanding of your operations and is able to look more closely at areas of risk as well as processes over time.

One way to gain new perspective on your organization's finances and accounting practices without the cost and difficulty of changing audit firms is to work with a firm that can rotate key partners and engagement team mem-

bers. There are valid reasons for considering a complete switch, however.

It's important to work with an audit firm that is well versed in church financial management, accounting and financial reporting issues. If you are not currently working with a firm with these qualifications, it may be beneficial to think about a change.

If you decide to select another firm, take these steps to make the process efficient and effective:

Begin by determining the criteria you will use to compare competing firms. This may include expertise, staffing, price, and timing. Each is important, but you will seldom make the decision on one criterion alone.

Send a request for proposal to firms you believe are qualified to provide excellent service to your church. You may choose to include your current firm in the proposal process.

Consider each proposal carefully against the criteria you set, and follow up on references provided. Even if vendors only provide a list of satisfied clients, you can still learn a lot from these references. For example, another church may mention that they really appreciate the service they receive from the audit team, but that the firm's tax department is unfamiliar with nonprofits and churches in particular.

After narrowing the field to two or three prospective firms, schedule a time for each to present their proposal to you and the finance committee. This will give you the opportunity to clarify differences between the firms, meet the firm leadership, and get a better understanding of who each firm is and how they operate. When the interviews are complete, you should have enough information to make an informed decision.

If you select a new firm, you need to send a letter to your former firm informing them of the switch and giving them permission to share information with the new firm. While this formality is required, out of respect for the business relationship, you may choose to initially notify them with a personal phone call.

Start off on the right foot with the new firm. Prepare all the requested information, and ask questions whenever something is unclear. You should also feel free to ask if information can be provided in a different format. The new firm will probably need information that is similar to what your prior firm requested. If you already have items in a particular format, ask the new firm if they can use that, rather than taking the time to recreate it.

Vonna Laue is a partner in the California offices of the CPA firm of Capin Crouse LLP. [www.CapinCrouse.com]