Accounting for Success

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Agreed-Upon Procedures and Other Nontraditional CPA Engagements

Most corporate, government, and nonprofit finance officers, executives, and board members are very familiar with the annual accounting or audit services they receive from their CPA firm (practitioner). However, management may at times have more specific needs that cannot be met by the traditional services they are receiving. In these cases, thinking outside of the box with a "nontraditional engagement" may be a valuable alternative. What is a "nontraditional engagement"? In general terms, a nontraditional engagement is any assurance service other than the preparation, compilation, review, or audit of financial statements. It's a side of accounting that offers creativity and flexibility. Nontraditional engagements include the following:

Agreed-upon Procedures (AUP) – An AUP engagement is one in which a practitioner is engaged by a client (and sometimes a third party) to report findings based on specific procedures on a subject matter mutually agreed upon by the client and practitioner.

Compliance Examinations – Many times businesses, government and nonprofit entities are required to comply with certain laws, regulations, and policies contained in contracts and grant agreements. The organization may engage the practitioner to 1) obtain reasonable assurance about whether it complied with the specified requirements, or 2) to express a written opinion about whether it complied with specified requirements.

Engagements Regarding Internal Controls over Compliance – Instead of reporting directly on compliance, an organization may engage their practitioner to report on the effectiveness of internal control over compliance. If deficiencies are found during the engagement, management may choose to implement remedies to correct the deficiencies before noncompliance occurs.

Forensic or Fraud Engagements – Fraud detection is not the primary objective of a financial statement audit. If an organization suspects that fraud has taken place, it may engage its practitioner to apply procedures specifically directed at establishing whether a fraud has occurred and, if so, its nature and extent.

•Risk Assessment Services – Risk assessment is not a guarantee for success, but it affords management better insight into warning signals that might otherwise be missed. Because of practitioners' experience in assessing financial statement risk, the design of internal controls, and business practices, they can provide valuable assistance to their clients by helping them to identify and monitor risks. Services that a practitioner might perform include the following: Helping identify and assess business risks.

- •Assessing risks that have already been identified by management.
- •Evaluating systems for monitoring and controlling risks.

Performance Measurement – Practitioners can identify relevant performance measures and establish systems for their capture and use them to track results and compare them to industry norms and best practices.

A few advantages of using nontraditional engagements are:

- •They are flexible and can be tailored to meet specific needs.
- •They are cost-effective.
- •They can be completed in a relatively short time period.
- •The organization is not limited to working with the same firm that performs its annual audit – for example, management may choose to engage a CPA who is also a Certified Fraud Examiner (CFE) if it suspects fraud.
- •The organization can use these engagements as support for a larger project such as the preparation of its annual budget or the close-out of a large contract.

If you have questions regarding nontraditional services or what nontraditional service may best serve you, don't hesitate to reach out to Belfint, Lyons & Shuman, CPAs.

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