

The Facts

Industry served:
Non-profits

The SDK Team:
Forensic Accounting
and Valuation Services
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"These procedures have already paid for themselves!"

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If you'd like to add the SDK team to your success story, visit us at www.sdkcpa.com*

Case Study # "To audit or not to audit"

Client Profile -- One of our clients functions much like a "co-op" for a number of non-profits in its industry throughout the country, working to assist the various local centers by negotiating favorable pricing and agreement with vendors that many of them use. The client's "co-op" arrangement gives each local center more clout than they'd have on their own so they get better pricing deals. The client typically receives a small administrative fee for its work.

The Challenge/Opportunity -- The client's audit committee noticed that they have clauses in most of their vendor contracts allowing them to "audit" the vendor. The committee believed they should probably do some due diligence and use the opportunity to audit, but they had no reason to believe there were any problems and were reluctant to spend too much money. Not only can audits be expensive, but with local centers all over the country, staffing the audit would incur a lot of travel time and out-of-pocket costs.

The Idea -- SDK determined that it would be more cost effective to outline agreed upon procedures rather than structure and perform an entire audit. SDK and the client also worked out a way for each local center to perform some portion of the vendor testing at their own location, to eliminate the need for travel costs and time.

The Action -- SDK worked remotely with each local center to understand the method and effectiveness of their testing, and ensure that the procedures had been done properly. SDK also performed some procedures itself, leveraging phone, email, scanning, and other communication methods to further lower costs.

The Results -- SDK has been guiding the process and performing these procedures annually for four years, now. As a result of SDK's work, a number of vendor oversights have been uncovered – bringing in nearly \$200,000 of missed administrative fees from the past and increasing the future administrative fee amounts.