

More Efficient Government Audits

How Hansen, Bradshaw, Malmrose & Erickson Use ProSystem fx® Engagement to Increase Firm Profitability and Make Government Clients Shine

Introduction

Hansen, Bradshaw, Malmrose & Erickson specializes in auditing for local governments and, over the past several years, it took a unique approach to increasing auditing efficiency and improving relationships with clients. The firm encouraged government clients to implement the same auditing solution used by its own auditors, ProSystem fx® Engagement.

“Our firm uses Engagement and I think it is one of the most robust audit software solutions out there. I’ve been working with it since 2004. I’ve dealt with other packages firsthand, and I know that a lot of my fixes for auditing challenges are found in Engagement.”

Accounting and Auditing Manager Aaron Hixson
Hansen, Bradshaw, Malmrose & Erickson

Hixson recently shared the methods he uses to help his government clients implement Engagement, a process that results in mutual benefits for both his firm and its clients.

The firm enjoys:

- Better profitability and improved audit efficiency
- More solid relationships with government clients
- A competitive edge by delivering more value to clients

Their government clients benefit from:

- A savings on auditing fees thanks to a better workflow between them and the auditors
- The ability to make better sense of their own numbers
- Powerful reporting tools that enable staff to effortlessly look good to their superiors

Why Hansen, Bradshaw, Malmrose & Erickson Recommend ProSystem fx Engagement to Government Clients

Engagement streamlines the audit process, saving time and removing frustration from the audit by offering functionality that imports raw client data, prepares adjustments and creates financial statements. It also functions as the central location for tracking, reporting, review, signoff and archiving.



While Engagement greatly improves the efficiency and effectiveness of the audit, the solution has no way of guaranteeing the quality or formatting of the information provided to auditors by the client. That’s why Hixson believed that Engagement was an excellent solution to introduce to his government clients.

When both the auditing firm and the government client use Engagement, the trial balance imports immediately in a format that is familiar to both sides. Any information sent from the client flows directly into the workpapers in Engagement, so information remains properly organized, instantly.

“Engagement does everything. So, next year, I can import the trial balance, click a button and 95 percent of my financial statements for the New Year are completed.”

Additionally, Engagement empowers government clients to produce financial statements including CAFR.

“It’s easiest to do the financial statement, footnote creation and everything about creating a CAFR in Engagement because of all of the linking that the solution can do.”

About Hansen, Bradshaw, Malmrose & Erickson

- Founded in 1980
- Headquartered in Bountiful, UT
- Staff of 21, with 12 CPAs
- Services include tax preparation, accounting, audits, reviews and compilations for corporations, nonprofit organizations and government entities

About Aaron Hixson, CPA

- Accounting and Auditing Manager, IT Manager
- More than 12 years of experience in governmental auditing
- Areas of expertise include local governments, manufacturers and nonprofits
- Member of GFOA, UGFOA, AICPA and UACPA

Furthermore, Engagement helps government financial professionals perform statistical analyses and link results to a financial statement.

“If you need to know the top 10 employers of your city or you need to know who your highest property tax payers are, for example, you would create a dummy trial balance. That way you can have a running history of those in one area and then those numbers link into a financial statement.”

Best Practices for Getting Government Clients Prepared for an Audit

Prepared by Client (PBC) Lists

Many auditing firms provide to the client a list of documents and information to prepare before an audit starts. Prepared by Client (PBC) lists can save auditors a lot of time, as well as lower the cost of the audit for the client.

“A critical way to begin this process is to have a detailed prepared by client list so they know exactly what you expect of them and what they expect of their own staff before the audit even starts, before field work begins.”

Unfortunately, different firms expect different levels of participation from clients. So, many new clients expect extensive hand-holding from auditors in order to complete their PBCs.

“When I go to a client sometimes I just have to realize they need to be retrained. They’ve gotten used to their auditors either doing everything for them or not requiring enough from the client to get ready for the audit.”

Hixson estimated that larger clients can save 20 hours or more in audit fees by having all of the information requested in the PBC list ready on day one of the audit. He suggested that auditing firms should be proactive about moving clients through the PBC preparation process. Starting the audit with a complete PBC will enable an auditing firm to more accurately estimate staffing needs.

“If you think that they’re going to have all 50 of your items completed so you have a team of four or five auditors show up, yet they only have 20 percent of that list completed, you’re going to have a lot of wasted downtime and a lot of wasted time in general on that job.”

Best Practices for Ensuring Clients Will Complete PBC Lists

To help clients get ready to complete their PBCs, Hixson recommends:

- Start early. Minimize pushback by working to send the PBC to clients well ahead of the audit. Don’t wait until they are in the middle of the busiest part of the audit.
- Make sure clients understand that the PBC list is required before the audit begins.
- Do not do the PBC for them. That doesn’t save anyone any time.
- Give the client a format and template to follow, with sections and numbering. That way items from the PBC will correspond to your workpaper numbering.

- Ask the client to disseminate the PBC listing through the office so that when you ask for an item on the PBC list, the client’s staff knows what that is.
- Follow up and check in as the date for starting the audit approaches.

Client Trial Balance

Getting a reliable trial balance in a usable format used to be a real challenge for auditors at Hansen, Bradshaw, Malmrose & Erickson.

“Before our government clients started using Engagement, I was spending a lot of time just getting a trial balance into the audit software. Something that should have taken moments took upwards of a day or more what with government clients having multiple funds.”

Best Practices for Getting Client Trial Balances

Hixson offered these tips for how auditing firms can get better trial balance information from their government clients:

- Require a usable electronic format. Do not accept paper reports, scans of paper reports, or PDFs that cannot be manipulated. You need to be able to navigate the numbers, so request a Microsoft® Word or Excel® format.
- Ask for a three-column format. Have clients prepare the information with three columns, for account number, description and balance.
- Numbers are not text. Ask clients using Excel® to make sure that numbers in their balance are actually in number format. If numbers are entered as text, they will still look like numbers but will not total correctly.
- Get rid of wildcards. Tell clients not to put any asterisks in the description column.
- Give every G/L account a unique account number. Avoid confusion and be specific.

How to Convince Clients to Implement ProSystem fx Engagement

When the benefits of Engagement were presented correctly, Hixson found that their government clients were very receptive to the idea of using the same solution as their auditing firm. Hixson’s proven approach starts with lowering the firm’s auditing fees to help cover the expense of the new system to the government client. Additionally, to remove fear and doubt from the decision, his firm offers training and ongoing support to the client.

Hixson also found that clients responded to the fact that Engagement can empower them to be more proactive about reporting and so helps them shine at work.

“My clients take pride in being able to tell superiors that they created the financial statements, not the auditors.”

With the ability to create a “Dummy Trial Balance,” clients can prepare their own monthly financial statements, statistical sections and other reports. Engagement keeps an organized history that enables clients to instantly produce historical financial statements when requested by government executives, councils or citizens.

Examples of How This Unique Approach Solidified Client Relationships

Hixson acknowledged that one of the top benefits to his firm regarding his government clients using Engagement was stronger relationships that help give Hansen, Bradshaw, Malmrose & Erickson a competitive advantage. He related real-world stories of how Engagement impacted the firm's client relationships:

Avoiding an RFP

Offering government clients a solution like Engagement has helped the firm maintain a competitive edge over other firms with government clients. Hixson recalled one instance where getting a client on Engagement helped the firm avoid having to compete in a Request for Proposal (RFP) process.

“Most governments have a proposal of three to five years with certain extensions. We constantly have to defend ourselves and make sure that we can keep that relationship with our government clients. If we can do things that make them pleased that they're getting a good audit for a fair price, and we can avoid that RFP process, then why not?”

Hixson encouraged the client to implement Engagement so he could show them how to get better organized and even use the system for non-audit purposes. The return to the firm was that it secured a contract extension and avoided the RFP process.

“At the time, we were in year three of a five-year engagement and I said, 'In order for you to lock into these benefits, we need certain assurances that we're going to get some realization on our fees and the time we spend training and supporting you on Engagement. Can we extend the contract a couple more years?' They agreed. We extended the contract for five additional years, effectively avoiding having to go out to bid again, which provided a revenue stream that we were able to rely on.”

Getting to the Bottom of the “Ugly Report”

Engagement helps clients make better sense of their own numbers and empowers them to produce their own reports. According to Hixson, that helps staff look better to their superiors since information is now readily available. Additionally, it also helps build a loyal relationship with the auditing firm. He provided an example of a time that he helped a client make sense of their “ugly report.”

“When I got to a new client's office, I asked for the trial balance, fully expecting it to be many, many thousands of account numbers. When I got it, though, there were only 500 or 600 account numbers. A lot less than I thought, so I asked the client if she was sure it was the complete trial balance. Although I verified that it netted to zero, I still just didn't feel comfortable that it had all the detail.”

So Hixson set out to work on grouping the information and mapping the accounts to the prior financial statement. The balance sheet seemed fine, but when he looked at the income statement he could not find account numbers that matched numbers on the income statement. When Hixson asked the client about it, the client told him that he needed to refer to the “ugly report” for that detail.

“The client told me it was called the ugly report because it was a massive data dump with so much information that it was hard to navigate. It turned out that the ugly report is a trial balance! That report contained all of the general ledger detail that I needed to group the proper financial statement.”

If she knew how to navigate this 'ugly report' and whittle it down for me, it would have made my life a whole lot easier. Plus, it would have helped her in preparation for the audit. So, we got the client using Engagement, eliminating the 'ugly report' and getting the trial balance presented to me in a much different format. Now, the trial balance is a summation of actual general ledger accounts.”

Conclusion

Engagement has helped Hansen, Bradshaw, Malmrose & Erickson become more efficient and effective in their auditing process. Additionally, the firm recommends Engagement to their government clients, creating an implementation strategy that provides symbiotic benefits to both firm and client.

When clients use Engagement, the firm's auditors receive better, more complete information prior to beginning the audit. Auditors never struggle to import client trial balances and other information. The firm is able to keep fees as competitive as possible while enjoying good realization during audits.

Engagement empowers clients to do their own reporting outside of the audit, including creating financial statements and dummy trial balances for statistical analysis. Enhanced reporting capabilities helps the staff shine in front of superiors and constituents, further enhancing the relationship between Hansen, Bradshaw, Malmrose & Erickson and its government clients.

For More Information
CCHGroup.com/Engagement
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