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## Connecticut Charities can Reduce Audit Fees

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Tight budgets call for creative ways to save money. Audit fees should not be immune to such fiscal scrutiny. Indeed, while the auditor should never compromise his or her audit standards, all audits should be performed as efficiently as possible. Luckily, in Connecticut, charities have the ability to reduce audit fees and still comply with the state's registration requirements.

This article does not suggest a reduction in service level with respect to the organization's financial statement. Although reviews and compilations may be acceptable for some, if the organization is required to register with the State of Connecticut / Department of Consumer Protection and if its qualified gross revenues are more than \$200,000, the organization must include an audit with its registration. However, the Annual Charity Registration Application defines "audit" in a nontraditional manner, and that definition can be the catalyst that could enable the auditor to reduce his or her fees.

In general, the Application states that the financial report of an organization which received more than \$200,000 in gross revenue must be accompanied by an opinion of any independent licensed public accountant or certified public accountant. The Application states that this requirement may be satisfied in either of two ways: Option A - the opinion may refer to a set of financial statements, or Option B - the opinion may refer directly to the IRS form.

Option B essentially allows the auditor to avoid the expression of an opinion on the charity's financial statements. Moreover, Option B allows the charity to avoid the preparation of financials under Generally Accepted Accounting Principles including all the related disclosures required under GAAP. Thus, Option B can save the charity thousands!

With Option B, the auditor can rely on special audit guidance. The guidance spells out procedures that should be employed and the language that must be used in his or her report if the report refers to the organization's Form 990. If the financial statements in Form 990 are NOT in conformity with GAAP, the auditor should consider whether it is appropriate to issue a *special report*. Generally, the special report may only be used if the financial statements and reports are intended solely for use by those within the entity and one or more regulatory agencies.

Option B is not for every charity. There are tradeoffs. For example, if GAAP financial statements are important to the management, the board, creditors, regulators and supporters of the organization, Option B may be inappropriate. Nevertheless, Option B should be at least considered as it may enable the organization to minimize audit fees.

If you have questions, or if you would like additional information please contact Vincent Ruocco, LLC, CPA at 203.932.2931.

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