

SAS 115/FIN 48 Consulting for Audit Firms Serving Non-Profit and Governmental Clients

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As a service for other certified public accounting firms, and faced with the Statement on Auditing Standards No. 115 (SAS 115) "material weakness" independence issue and Accounting for Uncertainty in Income Taxes No. 48 (FIN 48), Cottrill Arbutina provides a trusted outsourced solution that works to the benefit of all parties involved.

This approach allows audit firms to maintain their current status with their client with full independence.

SAS 115 - Under SAS 115, non-profit or governmental clients of CPA firms now need to completely separate their audit services from accounting and financial statement preparation. This typically means that two CPA firms are needed to complete a non-profit/government engagement rather than one – an administrative and time-consuming headache most clients would prefer to avoid.

FIN 48 - FIN 48 goes into effect if an organization takes an "aggressive" tax deduction. In these situations, the auditors must disclose that the deduction is an aggressive position, disclose the probability that the Internal Revenue Service will not allow it and then post an adjustment to the company books.

Typically, the audit services that a CPA firm will no longer be able to perform while remaining independent are the following:

- *Year-End Closings* – Accounts receivable/depreciation, payables, accruals;
- *Audit Schedules* – fixed assets, pre-paid detail, accrual account detail, trial balance crosswalks;
- *Reports* – Audit financial statements, audit footnotes, Form 990 and disclosures, state forms, grant reports;
- *Consulting* – Payroll assistance, risk analysis and governance policies; and
- *FIN 48* – Calculations and related disclosures.

For audit firms faced with this position, Cottrill Arbutina serves in the "second firm" role and does so in a manner that protects the sanctity of the primary audit firm's client relationship. In fact, Cottrill Arbutina is willing to sign a limited non-compete agreement to that effect for the primary audit firm's peace of mind.

Advising closely held businesses, non-profit organizations and governments has been the core of Cottrill Arbutina's practice for several decades. The firm serves many of the top regional credit unions as ranked by asset size in the *Pittsburgh Business Times*, and more than two-thirds of the public school districts in Beaver County, as well as many local municipalities.

For more detail Cottrill Arbutina's ability and experience to serve other CPA firms' clients, visit www.cottrillarbutina.com/indspec.htm.