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CPA.com White Paper

CENTRALIZING THE AUDIT CONFIRMATION PROCESS

How to boost productivity for your audit team and increase savings for your firm.

A case study with
Peter Henley, CPA/CITP,
Senior Director
Clark Nuber P.S.

CHALLENGE: Eliminating inefficiencies and reducing costs

Like most firms performing audits, about 30 of Clark Nuber's 68 auditors (one member from each of the firm's audit teams) would divide up the often tedious, inefficient, paper-based task of processing audit confirmations on 500+ audits per year. Processing paper-based audit confirmations was often very disruptive to an auditor's daily workflow. The auditors assigned to process the confirmations would interrupt other billable activities to spend time on confirmation requests, which included time-consuming activities, such as gathering letters from clients, mailing to banks and brokerage houses in a timely manner mailing second requests as necessary, checking for, scanning and posting received confirmations to working papers.

In addition, sending out second requests when there was no response to the original request, or to follow up on an incorrect address or account balance was a real headache to the staff and it swallowed up precious billable hours. In short, processing audit confirmations was tedious work that the staff could better spend performing the audit.

SOLUTION: Centralizing the audit confirmation process with Confirmation.com

More than 10 years ago, the firm decided to centralize their audit confirmation process to make audit workflow more efficient and auditors more productive. To move as much paper out of the process, the firm started using electronic confirmations through Confirmation.com in 2006 and, as a result, received quicker confirmation responses from banks, brokerage houses and other financial institutions. Confirmation.com is a secure web-based service that can be used to confirm cash, term loan balances, lines-of-credit balances, investment accounts, accounts receivable, accounts payable, and much more (30+ different types of confirmation requests are supported).

BENEFITS: Reduced costs, increased productivity, improved morale

Centralizing the process and automating confirmation requests helped the firm's auditors to:

- Increase personal productivity, efficiency and morale
- Save time, reduce human error, while providing a more secure process to confirm balances
- Reduce costs for the firm and its clients

Peter Henley, Clark Nuber's senior director, has been with the firm for about 17 years. He is a strong believer that centralizing and batching work processes can significantly improve workflow and generate efficiencies across the firm. Case in point: centralizing the audit confirmation process and automating the confirmation of cash, and other account balances using Confirmation.com.

“ Confirmation.com streamlines the auditor's work. When you take away a process that's disjointed and inefficient – like processing paper confirmations that you have to pick up and put down multiple times – that makes a huge difference. ”

Peter Henley, CPA/CITP,
Senior Director
Clark Nuber P.S.



“ For a professionally trained auditor to do audit support work that isn't part of the actual audit, like checking the mail, that's a waste of an auditor's precious time. Now auditors can do what they were trained to do. ”

Centralizing workflow

When you look at the before and after of the audit confirmation process, it becomes immediately clear why centralizing and batch processing audit confirmation workflow is such a boost to the audit team's efficiency and productivity. Before centralizing the process, no one was measuring the time/cost impact to the audit staff of processing paper-based confirmations. Peter noted that "before centralizing the process, three to five members of an audit team would select accounts" that needed confirmations. One person on each audit team would then take the selected accounts and handle the steps involved in preparing and processing the confirmation requests. In total, about 30 auditors would regularly interrupt their workflow to handle audit confirmations on approximately 500 audits each year – time and effort that could be better spent on the actual audit.

Now one administrative person does it all. The admin is able to batch tasks for a more efficient process. Peter commented, "She typically processes 20 to 30 confirmations in a sitting without distractions."

Peter added, "During the busy season, she spends 100% of her time processing confirmations. When not doing confirmations, she does other administrative work for the firm. In total, about 25% of her time is spent on audit confirmations, which comes to about 400 hours per year on this task." Most importantly, "for auditors, the time-keeping mess of going in and out of audits and confirms is a thing of the past. The auditors can now devote their billable time to the work they were trained to do."

Moving paper out of the process

Centralizing the confirmation process made workflow more efficient, but paper confirmations were still an issue for the firm. "Managing paper was an ongoing challenge, and second requests created duplicate work for the admin," said Peter. Another issue involved the mailroom staff, who didn't always know where confirmation responses should go. Peter continued, "Sometimes the mailroom would deliver responses to the wrong person, or to someone who was out of the office, which created delays. And sometimes responses simply got lost internally."

In 2006, the firm began using Confirmation.com to automate the confirmation of cash and other account balances during the audit. As a result, confirmation responses can now bypass the mailroom, second requests are reduced, and paper and related paperwork is reduced or even eliminated when possible by using Confirmation.com.

Improving employee morale

Peter observed that training the admin on Confirmation.com was not difficult at all. The admin learned how to use Confirmation.com quickly and was productive in no time. Shifting the responsibility of this tedious task to the admin had some unexpected benefits as well. For one thing, "it improved morale." With auditors free to concentrate on their audit work, the mood in the office actually improved. "The admin's morale went up as well because she now saw herself as someone contributing" to the success and growth of the firm by reducing costs for the firm and helping to increase the firm's overall net profits. Peter added, "Measuring one person is easier than measuring dozens."

“ Clients are sensitive to technology, and if you are not using it, they will notice. ”

Another surprise benefit: With Confirmation.com, the firm's clients see an efficient audit process from start to finish. And clients who are impressed with how your firm operates at all levels are more likely to recommend your firm to other clients. Peter summed it up, "When clients see an efficient audit, they're going to recommend you."

The bottom line

“ The cost of administrative personnel is lower than professional personnel, so when we replace professional time with admin time, we make more money. ”

When Peter was asked to summarize the net effect of centralizing the audit confirmation process, he said: "The investment was a very small amount of training and no cash, so any savings is an immediate decrease in cost." He continued, "You can push work down to an admin at a lower rate" than you are paying your auditors. "Ultimately, it's audit support and you're taking that away from the auditor. You don't have to wait for a major overhaul with the audit process, you can do it now. The big deal here is that auditors are spending their time on higher value work."

Peter also had a message for other firms: "You need to take a look at this and go for it right away. Your auditors are going to have less to do from day one. The savings are obvious!"

“ If you talk to an auditor, it's so clear! There's no question of a significant time savings. ”

About Clark Nuber P.S.

Clark Nuber is a Washington-based, award-winning CPA and consulting firm. With a focus on tax and audit practices serving global clients, Clark Nuber has been in business for nearly six decades. A relatively large, but nimble firm employing nearly 160 employees, Clark Nuber is also a registered investment advisor in the State of Washington, serving commercial businesses, not-for-profits and high-net-worth individuals.



About Confirmation.com

As the preferred partner of CPA.com and for the American Bankers Association, Confirmation.com provides secure online confirmation services for auditors, banks and their shared clients. Confirmation.com's patented service minimizes fraud and brings efficiency to the audit confirmation process. In addition to its bank confirmation solution, the company provides solutions for more than 60 different types of audit confirmations, including employee benefit plan and legal confirmations. Several hundred In-Network responding companies, including all of the Top 10 banks in the U.S. and over 12,000 accounting firms in more than 100 countries, trust Confirmation.com for their audit confirmation needs. For more information, please visit cpa.com/contact-us-confirmation.

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CPA.com forms strategic alliances with leading solutions providers focused on the accounting profession and serves as a value-added distributor of these solutions to CPA firms nationwide. Confirmation.com is a preferred partner of CPA.com for its automated audit confirmations solution.

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