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Lindley & Associates LLC newsletter is written by Martha Lindley CPA, providing timely articles for nonprofits. As a national speaker on nonprofit issues and Omni Circular compliance, she personally writes and provides the quarterly newsletter to over 400 nonprofits as a contribution to our nonprofit community. If you would like to receive future editions, please contact us. There is no charge.

We specialize in not for profit organizations and government funded entities providing audit, reviews and tax preparation services. We are committed to those agencies that provide services to our community.

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SUBMIT YOUR COMMUNITY ANNOUNCEMENT

You may submit an announcement by email
admin@LindleyCPAs.com
Fax 206-332-0957
Phone 206-332-0386
There is no fee for this service.

The information in this newsletter is necessarily brief. No final conclusions on these topics should be drawn without further review and consultation. For additional information, PLEASE CONTACT US.

6 STEPS TO AN EASIER AUDIT

By Martha Lindley CPA
Audits are not created equal. Have you noticed that some years go smoothly and others not? You and your staff can make a significant difference in the pace and "smoothness" of the audit. The following are suggestions to an easier audit:

- 1) Be prepared. Review the client request list (the list the auditor sends prior to fieldwork). If you don't usually receive one – request it. It will save you significant time and many interruptions. Assign tasks to staff. Assemble the information in the order of the client list. Good intentions do not replace this critical step.
- 2) Provide a full general ledger with detail by transaction. Run by account number with all 12 months under

each account number (vs a month by month printout). This step alone will decrease auditor questions by 50%.

3) Be available. Many questions require "face time" with the historian of the organization. Numbers alone do not tell the full story – we need people to talk to.

4) Ask questions about anything and everything – it will reduce your frustration (what do they want that for!) and you will learn a lot about the audit process (which I guarantee will make the audit process easier, and more interesting, for you).

5) Be serious about the audit – your commitment to answering questions timely and supplying needed information promptly will make the audit easier for you. This may seem counterintuitive,

as of course it makes the audit easier for the auditor, but your commitment to timeliness has a significant impact on the efficiency of the audit overall.

6) Be sensitive to given timeframes. Audits are done on a "project" basis. Time has been set aside for your audit to provide you timely and efficient services. When you delay responding to auditor requests, such as supplying information and reviewing draft financial statements, your audit process is extended past the time set aside for your audit. Your auditors may have now commenced the next audit and have less "dedicated" time to assist you.

No client has ever said that they "liked" being audited, but it can be easier.

BEST PRACTICES AND FORM 990

Below are examples of best practice responses on Form 990:

1) Director salary: "The Executive Director's salary is determined by utilizing compensation data for similarly qualified persons in comparable positions at similarly situated organizations. The salary recommendation is reviewed and approved by the executive board, with no members who have a conflict of interest being involved in the process. Substantiation of the deliberation and decision are recorded at that time."

2) Conflict of interest: "The Board has a "no conflict of interest" policy and engages in no transactions which present a conflict of interest, either in fact or appearance. Each board member and key employee completes a policy form each year. Per the conflicts of interest policy, any actual or potential conflict of interest must be disclosed to the Board of Directors in writing by the interested person (any director or principal officer who has a direct or indirect financial interest in a given transaction or arrangement)."

3) Review of Form 990: "Form 990 is presented to the Finance Committee in draft form. Committee members ask questions and review the document before presentation to the full Board. After discussion in the Finance Committee Meeting, the Treasurer and Executive Director distribute and present the Form 990 to the full Board and address any questions the Board may have in regard to the document."

By Martha Lindley CPA

TRENDS IN NW GIVING (2014, 5ED)

There have been dramatic state-by-state variation in grant making trends. Washington and Wyoming saw strong upticks in total giving (12% & 16%, respectively), while Alaska, Idaho, Oregon and Montana saw sharp declines ranging from 18 to 48%.

Corporate giving is up sharply, but not all states are seeing the benefits. Corporate giving increased 17% from 2010 to 2012, but most of the growth occurred in Washington and Oregon.

Education receives the largest share of grant dollars, a total of \$239 million, or 25% of regional grant-making. The top five education funders accounted for 40% of all education giving.

Health funding grew more than any other category, but is still far below national levels. Nationally, funders gave the highest proportion of dollars to health-related issues (22%). Northwest funders, by comparison, gave a relatively small proportion (11%) to health in 2012.

Top NW funders: Microsoft \$39M, Boeing \$29M, Employees of Boeing \$10M, Intel \$8M, Bank of America \$7M, JP Morgan Chase \$7M, ConocoPhillips \$6M, US Bank \$5M, Micro Tech \$4M, and Paccar \$4M.

Tech Corner

There are BIG differences between online and desktop versions of QuickBooks (QB). Most sites just compare cost and ease of use.

But there are other important user considerations: report size (can it display the entire general ledger at one time), export formatting (is the general ledger readable in Excel) customization (on line and PC based do not have the same reports available) and user definitions are all reduced when using online QB.

The primary advantage of online QB is that you aren't tethered and any user has access. This can be offset by change in staff or entries made by those who aren't highly skilled in bookkeeping or accounting.

Is online QB right for you? There are points for and against it. But it is not a simple apples to apples comparison—PC based and on-line QuickBooks are not the same product. It is not as simple as where the data resides and not as simple as what is the cost difference.

-Ryan Kauzlarich, Audit Manager

COMPANY ETHICS



Directors, officers and board members set the "tone at the top". Their actions model the organization's "behavior". Business ethics is not about morals and feelings, it is about setting written guidelines of behavior.

Code of conduct - Create a policy that does not tolerate unethical behavior and document in writing in the employee policy handbook. Topics covered should include discrimination, conflict of interest, whistleblower policy, drug use and expected business behavior.

Create a positive working environment – Not only does this deter fraud, it makes for a more enjoyable, mentally healthier place to work. Organizations with weak internal structure – poor communication and poor "self-image" – have higher indicators for fraud than organizations with a good "self-image".

Hire ethical employees – Do not rely "intuition" - perform background checks, call references and monitor performance. Trust is a feeling, it is not factual evidence.

Training – Provide ethics training as part of orientation, as well as on-going basis. Include examples of what management considers unethical organizational behavior and what the employee's responsibility is if such behavior is observed.

Accountability – Board members, management and employees should be required to sign, annually, a code of conduct statement. This enforces the above recommendations in a positive, equitable manner.

Consequences—Establish a policy that deters fraud and state the policy in the employee handbook. For example, employment will be terminated, incidents will be investigated and reported to the correct parties. *Adapted from SAS 99*

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MARTHA RETURNS TO TEACHING

Martha is returning to national teaching, focusing on non-profit reporting and Omni Circular auditing, with Surgent Professional Education. She taught for the AICPA from 2000 to 2008, presenting over 100 eight hour courses in 8 states in 15 cities. She was also an adjunct professor at the University of Washington.

You might like the Surgent coursework. Surgent has a hands-on approach, with focused exercises to understand the material. They currently have courses on the Omni Circular, as well as nonprofit reporting and auditing.

LINDLEY CLOCK TOWER LOGO

Lindley & Associates LLC, CPAS has officially changed its name and website address (LindleyCPAS.com). Our new logo incorporates the historical Lindley Clock Tower. The Tower is the most prominent landmark in Lindley, England, standing at the junction of Lidget Street and Daisy Lea Lane. It is registered as a historical landmark, in the top 8% of historical buildings in the UK, standing 83 feet high and two feet thick.

Built in 1902, it represents the Art Nouveau period of 1890– 1905. It is adorned with many sculptures, an important feature of this art style. TIME at the front entrance stands on a winged world globe, with YOUTH to his right and OLD AGE to his left. Above TIME is a sculpture representing ETERNITY. Next to the clock faces are standing human figures representing TRUTH, LOVE, PURITY and JUSTICE. The gargoyles protruding from the four corners of the roof are dogs, "The Beasts Fleeing the Towers of Time". Why the Lindley Clock Tower our logo? The clock serves others, it is reliable and timely. That is Lindley & Associates LLC (and of course, it has family significance as well!)



BOARD PSYCHOLOGY - GROUP DYNAMICS

By Martha Lindley CPA

GROUP PROBLEMS occur when group cohesion is too high or too low, roles are stereotypic, communication is directed only to group leader, and decision making is by the leader or one or two members dominated interaction.

Groupthink is a psychological group phenomenon in which the desire for harmony or conformity in the group results in an incorrect or deviant decision-making outcome. Group members try to minimize conflict and reach a consensus decision without criticism.

Loyalty to the group requires individuals to avoid raising controversial issues or alternative solutions, and there is loss of individual creativity, uniqueness and independent thinking. The dysfunctional group dynamics of the "in-group" produces an inflated certainty that the right decision has been made. Thus the "in-group" significantly overrates their own abilities in decision-

making, and significantly underrates the abilities of their opponents.

Symptoms of Groupthink:

Discussions are limited to few alternatives, usually two, without further alternatives.

- 1) The Group does not outline the objectives of if their values are projected by the choices.
- 2) The Group fails to reexamine the action preferred by the majority for risks and drawbacks.
- 3) Alternatives "thrown out" in the first discussions are not re-examined.
- 4) Little or no attempt is made to obtain outside expert advice.
- 5) Selective bias is shown by group reaction to factual information from experts.
- 6) Members spend little time on contingency plans should the selected plan not be viable.

Solutions to Groupthink:

Implement good meeting procedures, including a meeting agenda.

Present competing viewpoints.

Maintain a discussion template which outlines the problem, options, and recommendations.

Understand that making decisions may "hurt" group cohesiveness.

Groupthink is the result of flawed procedures, poor leadership, insulation, and an unmanaged desire for the maintenance of group cohesion and its "good feelings. These factors can be addressed positively and group decision making improved, while groupthink is kept to a minimum.

Martha has a BA in Psychology as well as a BA in Business.