

OFFICIAL  
RELEASES  
SAS no. 82, Consideration  
of Fraud in a Financial Statement  
Audit; Ethics Interpretations  
Page 88

APRIL 1997

# JOURNAL OF ACCOUNTANCY

## The Search for Financial Statement Fraud Under SAS no. 82, Auditors Take a Closer Look

Fraud Article Begins on Page 32



### Plus:

#### **CPAs in Finance:**

The New Skill Set in  
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**Technology:** High-Tech  
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**Attorney-Client Privilege:**  
When It Applies to CPAs

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Standards and Ethics  
Rules for This  
Growing Niche

**Practice Management:**  
A Client Satisfaction  
Model

**The Small Practitioner:**  
First Establish Expertise,  
Then Become Market  
Leader

**The Financial Manager:**  
How a New Company  
Survived Sudden  
Success

 **CPE DIRECT**  
At Home Study  
Page 10



State and municipal audits can be complex,  
but the range of potential clients is wide.

# The Business of Governments

BY ANITA DENNIS

**T**he firm of Allen, Green & Robinette has used know-how and good timing to achieve success in a highly focused niche. The 12-person, Monroe, Louisiana, firm specializes in government auditing and accounting services, mainly for school districts and public housing authorities. By establishing itself as an expert, the small firm has gained prominence in its target market.

## THE MAINSTREAM

The firm traditionally had performed some public housing authority audits, but its government practice got a boost when, due to a legislative change in 1990, the state auditor discontinued auditing school districts, turning instead to CPA firms to perform the work. "Because we had someone on staff with school district experience, we decided to pursue those audits for additional revenues," says partner Tim Green.

"Public housing authorities have unique accounting procedures, so they're not really the norm. Performing school district audits brought us more into the mainstream of governmental accounting." Because of the size of the entities, the firm's 13 school district clients are now by far the largest component of this niche. Green, the chairman of the American Institute of CPAs government accounting and auditing committee, explains that in Louisiana each school district is quite large because there is only one parish—or county—while other states have several in each county.

Moving into that mainstream was not entirely smooth sailing for the firm. Green says the best and worst thing that happened to the practice in



Tim Green credits his firm's success to listening to its school board clients.

the last five years was a split in 1992, when two of the five partners decided to leave. Green and the two remaining partners set up shop on their own, in a transition he likens to a divorce. Although the break was traumatic, it allowed the newly formed firm to put greater emphasis on government work—and to develop a cohesive and successful new firm. At the same time as the split, due to a legislative change, the required frequency of school district audits was hiked to annually from biennially. "That increased revenues a good bit," Green says. Since the demand for school district audits

widened just as the firm was gearing up to offer more of them, "we've gone on to become the largest auditor of school districts in Louisiana. If the firm had stayed together, that wouldn't have happened because the former partners didn't think governmental accounting and auditing was the way to go; that was one of things that led to their withdrawal."

Today, five professional staff and two partners spend about 75% of their time on this specialty, and two paraprofessionals devote half their time each to it.

The firm gains many new clients through the bidding process. To ensure

*continued on page 70*



it is asked to bid, firm members have worked to establish a reputation in the market. For example, when the firm in 1991 invited all of Louisiana's school districts to its first seminar, on intermediate-level government accounting for school boards, 60 people representing more than 20 districts attended. "It was a big success, and it established us as experts in school districts," Green says. In addition, "we attend and are a sponsor of the annual Louisiana Association of School Business Officials convention and some regional meetings throughout the year. I think that is one of the things that distinguishes us from our competitors—we go to the meetings and listen to their concerns. We've become much more knowledgeable about how we can help and what the problems are. And we get to know the people, so when they're asking for bids, they'll call us."

Audits and accounting are not the only service the firm provides to this niche. For example, for four school district clients, the firm prepares an extensive annual financial and statistical report required by the state department of education. It also performs special audit procedures concerning student activity funds. And, because it has the revised state statutes on CD-ROM, clients consult with the firm frequently to clarify statutes concerning financial matters.

#### A CHALLENGING BUSINESS

There aren't many competitors in the market, for a number of reasons. Green says the Single Audit Act of 1984, which governs audits of federal grants, made the process more compli-

### Firm Profile

**Name:** Allen, Green & Robinette.

**Year opened:** 1992.

**Location:** Monroe, Louisiana.

**Total personnel:** Twelve.

**Number of partners:** Three.

**Number of CPAs:** Five.

**Areas of concentration:** Government and commercial audits; income tax compliance and planning.

**Gross fees:** Under \$1 million.

**Percentage of fees in:**

*Accounting:* 10%.

*Auditing:* 60%.

*Tax:* 25%.

*Consulting and personal financial planning:* 5%.

**Types of clients:** School districts; public housing authorities; not-for-profits; construction and health care companies; individuals.

**Advertising and marketing programs:** Hosting educational seminars; attendance at association conventions; word-of-mouth; firm brochures; mailings.

**Best thing we did in the last five years:** (1) Develop government niche, in part due to firm split; (2) network the firm's computer system; (3) establish 401(k) plan to aid in retention.

**Worst problem we faced in the last five years:** Wrestle with firm breakup.

**How the practice will change in the next five years:** Adding personnel; new office building.

cated. The Single Audit Act of 1996, effective for years beginning after June 30, 1996, added further complications by asking auditors to take a risk-based approach when they make audit selections of federal programs, which is a switch from the traditional method of making selections based strictly on a dollar-threshold. At the same time, *Government Auditing Standards* (the yellow book) requires 24 hours of continuing professional education

specifically in government auditing every two years. These factors have discouraged many firms.

In addition, some aspects of the specialty can be daunting, Green says. Engagements involve extensive compliance work, requiring rigorous review of rules and regulations to ensure that government dollars are being spent as they're supposed to be. "A lot of people who traditionally audit commercial entities tend to hate gov-

### EXECUTIVE SUMMARY

■ A SMALL LOUISIANA FIRM has gained prominence in the field of government auditing and accounting by establishing itself as an expert in this specialty.

■ ALLEN, GREEN & ROBINETTE has become the largest auditor of school districts in the state and also audits public housing authorities and performs related services. It sets itself apart from its competitors by offering specialized seminars and by attending and sponsoring industry association conventions and regional meetings.

■ SUCCESS IN THIS NICHE requires a commitment

because of its complexity. There are rigorous legislative and continuing professional education rules, tough compliance requirements and accountability to a number of interested parties, ranging from federal agencies to the local media.

■ SMALL FIRMS CAN THRIVE in this area, however, because of the wide range of potential clients and types of work, the timing of most engagements outside of tax season and the chance to rely on on-the-job training for staff.

ANITA DENNIS is a *Journal* contributing editor.



## THE SMALL PRACTITIONER

ernment auditing because of the compliance work involved." The firm's specialty can pose recruiting and retention problems. "We find that some staff like the financial part of these audits, which is similar to more traditional commercial auditing, and hate the compliance work. And even within government, we're very specialized. If somebody wants variety, he or she would not be exposed to as much as in a more traditional firm."

CPAs accustomed to working only with a business owner and a bank on commercial audits are surprised at the number of players in government work. "Everybody has an interest," Green says. For example, "our state auditor approves any government audit contract of a local government. He monitors when the reports are due and sets stipulations for the agreements." Federal agencies also can become involved, when, for example, funds for public housing authorities come from the U.S. Department of Housing and Urban Development.

Local citizens and the media also have an interest in government finances. "When the media are involved, your name may be in the paper. Sometimes that's favorable and sometimes it's not. If it's not, it may be no fault of your own; it's just how it is reported." In one newspaper story, Green's firm was incorrectly credited with discovering an embezzlement—and mistakenly portrayed as having sharply underestimated the size of the theft.

In addition, "working with boards can be very frustrating," he says. For example, board members come from varied walks of life and different educational backgrounds, so they each have different expertise and expectations. At the same time, CPAs must understand the politics of the situation, he warns, noting that financial information from audit reports can be construed in many different ways. For example, if the firm reports that the district did well and has a large fund balance, it may find itself in the middle of an argument over how the money is to be spent.

Preparation and research are other weighty factors. "Given the complexity of the work, there's a great deal of planning necessary. Government audit-

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ing adds on additional requirements to generally accepted auditing standards."

At the same time, the bidding process can be discouraging. In Louisiana, governments are not required to choose the lowest bid for professional services, which means that sometimes politics rather than experience is the deciding factor. "We've been in cases where our fee was competitive and we believed we were the most qualified yet we were not awarded the job. That can be particularly frustrating for a small firm just getting into this area." He also notes that in government most board meetings are called at night, which discourages firms whose members prefer more conventional hours.

### GOOD FOR LOCAL PRACTITIONERS

Although developing this niche may sound daunting, Green says attractions abound for small firms:

■ There are many potential clients. "Governments of all sizes exist in

every community. There will be a government whose required audit hours will be compatible with your size firm."

■ The timing is right. Most of the work for many government audits can be done during the summer and fall, the time of year when many practices are seeking more engagements. As a result, in Green's firm, the second half of the year generates more revenues than the first.

■ There are many possible types of engagements. "Some smaller governments ask CPA firms to perform monthly accounting work or compile their financial statements. There is an opportunity to fill several needs."

■ Generally, there is little risk of losing fees due because the client is a bad credit risk, which is not true in the commercial environment.

■ It's possible to rely on on-the-job training. "We have 25 governments that have June 30 year-ends, and in Louisiana, their audits are due by De-

ember 31. We perform a lot of the same procedures over and over, which means you get up to speed very quickly."

### MAKE A COMMITMENT

Green's firm has clearly benefited from its focus on government engagements. He advises other interested firms to make a solid commitment to this niche. Because of the complexity, the many interested parties and the paperwork, "you're taking quite a risk if you're just going to do one or two engagements," he says.

Green enjoys the niche he has created, but he understands that it poses limitations. In his case, because the firm has done such a good job of establishing itself as an expert in school districts and public housing authorities, it can be hard to break into other areas, even within the government arena. However, he has no doubts the firm made the right choice in pursuing its specialty. ■



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