



AMERICAN COUNCIL OF ACADEMIC PHYSICAL THERAPY

Audit Policy

In order to ensure financial accountability, the financial records of ACAPT will undergo a Compilation Audit every three years and Review by an independent auditing firm during the years of transition in the office of Treasurer. A Peer Review will be performed in years in which a Compilation or Review is not performed.

The Board of Directors will decide on the firm to be selected, with recommendations from the Finance Committee. In recommending a firm, the Finance Committee shall:

- Ensure that the services provided by the external auditors are relevant to the information and fiduciary needs of the Board,
- Ensure that ACAPT is receiving value for money in the delivery of audit services,
- Ensure the independence of the auditors is maintained at the highest level,
- Consider the firm's experience with nonprofit organizations, and the ability of the firm to address any issues identified by the Board, and
- Submit a request for proposal (RFP) to a minimum of three (3) firms eligible to provide audit services.

The audit firm should not normally be engaged to perform any non-audit services unless an extraordinary circumstance exists, i.e., where a specific expertise is required that is not reasonably obtained from another vendor, and shall not perform substantial services for any officer or director personally. Only upon pre-approval of the Finance Committee, shall the independent auditor be engaged to perform non-audit services.

The audited financial statement shall be reviewed by the Finance Committee and approved by the Board of Directors. The approved report must then be sent to APTA's Finance Department.



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Best practices include:

- File complete and accurate information and tax returns.
- File a legible, correct Form 990 on time with all the questions answered and all schedules included. If you leave out information and the IRS asks for it, provide it promptly.
- Respond to anyone who asks to see your Form 990. It is a public document and if a disgruntled consumer complaint to the IRS, your component will draw unwanted attention.
- Catch potential mistakes before the IRS does.
- Report changes in operations and activities to IRS. This is a requirement.
- Don't overlook IRS conditions in ruling letters, and heed audit changes and cautions.
- Consider obvious and subtle Unrelated Business Tax (UBIT) issues.
- Properly allocate between activities and affiliates.
- Maintain adequate books and records.



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Types of Audits, per the APTA Treasurer's Manual:

Independent Audit

An independent audit is performed by a certified public accountant (CPA). It is the most comprehensive and informative of the four options. The objective or end product of the examination of financial statements by the independent auditor is the expression of an opinion on the fairness with which they present financial position, results of operations, and changes in financial position in conformity with generally accepted accounting principles (GAAP). The auditor's report expresses his/her opinion or, if circumstances require, disclaims an opinion. In either case, the auditor states whether the examination has been done in accordance with generally accepted auditing standards (GAAS). The cost of an audit varies, depending on both the size of the CPA firm and the volume of information to be audited.

Review

In a review engagement, a CPA performs some procedures to achieve a level of assurance. This level is not the same as that which could be attained by performing an audit in accordance with GAAS. The scope of services is less than in an independent audit. The objective of a review is to achieve, through inquiries and analytical procedures, a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with GAAP or, if applicable, with another comprehensive basis of accounting. A review service does not provide a basis for expression of an opinion on financial statements and is less expensive than an independent audit.

Compilation

A compilation service is one in which the CPA performs few, if any, procedures, and is substantially reduced in scope when compared to a review service. The objective of a compilation of financial statements is to present, in the form of financial statements, information that is the representation of the management or owners without undertaking to express any assurance or opinion on the statements. In a compilation, the CPA should read the financial statements, looking for obvious clerical or accounting-principle errors, but no other procedures need to be performed. The cost of a compilation is less than that of a review. Because the scope of a compilation is so limited, APTA recommends that a peer review be performed in addition to the compilation to ensure that basic internal controls are being performed.



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Preparation

A Preparation is an engagement to prepare financial statements in accordance with GAAP or other special framework without performing a compilation, review, or audit on those financial statements. An engagement to prepare financial statements is a nonattest service, with differences from a compilation engagement being that there is no accountants' report in the front of the financials and the engagement does not require a determination about whether the accountant is independent of the entity. Appropriate disclaimers will be provided on each statement that the financial statements have not been subjected to a compilation, review, or audit.

Audit Committee/Peer Review

An audit committee may be formed by the component and should consist of at least two or three members (peers) of that component other than the treasurer. This committee, with the guidance of the APTA Treasurer's Manual, should be responsible for reviewing the financial records of the component. An audit program first should be established. This program should state the objectives of the audit and the procedures that will be followed to achieve those objectives. The program also should outline sample questions pertaining to internal control. The audit will primarily focus on cash receipts and disbursements. The audit committee may decide to look closely at other areas besides cash receipts and disbursements. There are no set rules. The committee may be as flexible or stringent as it desires.