

# Dread Audits? Fear No More!

Let's face it – we dread audits. Even the mere mention of an audit can cause our stomachs to start churning, our palms to start sweating and our heads to start spinning. These are normal reactions, but all of this fear, stress, and anxiety can be reduced or eliminated altogether. Doubtful? Read on – you may be surprised.

## 3 Primary Causes of “Audit Dread”

### 1. Incorrect Data

One reason we dread audits is because we aren't sure we will have the “right” data or will be able to find the “right” data quickly when the auditors ask for it. Most of us will prepare for audits by pulling together as much data as we can just in case the auditors ask for it. Then when the auditors arrive, well this isn't really the data they wanted at all or they want more. Now it's an all-out scramble to find just what the auditors are seeking. Can anyone say panic mode? This is more stress than any of us want. Clearly, we are not alone. A recent study commissioned by Adobe found the most frustrating document problems include not being able to find documents that are known to exist (82% of respondents) and version control (78% of respondents).<sup>1</sup> It's no wonder we have issues gathering accurate data for auditors quickly.

### 2. Failure to Comply

Another reason we dread audits is because we may find that we aren't actually in compliance with the IRS or other regulatory agencies. I heard a story once about an entrepreneur who opened her own restaurant. She was doing her best to draw in customers, make unique and delicious food, and pay her employees and vendors on time. After being open about eight months, she started to think that she was keeping it all together and starting to be successful. Unfortunately, that wasn't quite the case. Instead she got a visit from her state revenue department. It turns out that she hadn't been submitting her state sales tax correctly. She was so out of compliance that it was within the authorities' rights to arrest her and put her in jail – yikes! Fortunately, the folks who visited her that day did not take her to jail, but they did slap her with a hefty fine on top of the back taxes and interest she owed. While this is an extreme example, it does illustrate how important it is to be sure you are being compliant. If the authorities don't come-a-calling, the auditors will surely catch up with you and uncover issues that can result in costly fines and/or costly projects to correct issues going forward.

### 3. Loss of Valuable Time

Finally, we dread audits because they take precious time away from revenue generating and customer service activities. Basically, the whole reason we are in business in the first place. The time lost not only occurs during the actual audit, but it also takes time to prepare for the arrival of the auditors. In the same recent study mentioned above, 55% of office workers (61% in US) feel mundane and inefficient processes distract them from more important tasks, and 49% of professionals (56% in US) believe these inefficiencies stop them from doing their best work<sup>2</sup>. In addition, as mentioned above, if the auditors find any kind of issues then time has to be devoted to correcting these issues instead of working on our

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<sup>1</sup> Adobe, “Paper Jam: Why Documents Are Dragging Us Down”, Adobe, March 2015, page 12, <https://www.images2.adobe.com/content/dam/Adobe/en/news-room/pdfs/201503/PaperJamReport.pdf>

<sup>2</sup> Adobe, “Paper Jam: Why Documents Are Dragging Us Down”, Adobe, March 2015, page 10, <https://www.images2.adobe.com/content/dam/Adobe/en/news-room/pdfs/201503/PaperJamReport.pdf>

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actual business. Depending on the type of business as well as the type of audit, this time can range anywhere from a few hours to literally months. The goal should be to reduce the time spent dealing with audits to as little as possible.

## **7 Keys to Successfully Reducing or Eliminating Audit Dread**

Even though audits want to make us run for the hills (or the beach), there are ways to reduce and perhaps even eliminate our dread of audits altogether. The solution lies in answering the following:

### **The 7 Information Management Questions <sup>TM</sup>**

#### **1. What information do we need to keep?**

As discussed above, it is imperative that we keep anything that ensures and documents that we are in compliance with our regulatory agencies. This may also include any documentation needed to comply with any oversight from our actuaries or other vendors. In addition, when deciding what to keep consider anything that has specific value to our organization or specifically relates to our organization's mission and goals.

#### **2. In what form?**

Consider here whether the data and information should be kept on paper or digitally. If digital, determine what program or programs are to be utilized. All members of our organization should be trained on how to keep information whether paper or digital. It is important to document processes and procedures for consistency purposes, and this documentation is often what auditors request to see as well.

#### **3. For how long?**

It is critical that retention guidelines are created and understood by everyone in our organization. We need to think about this from a couple of perspectives. One is how long we should keep documents and information. Again, remember to consider compliance regulations, but also think about any historical data we may want to have for analytical purposes in the future. Second, but just as important, is to consider not keeping certain documents and data indefinitely. There are many legal reasons for this, and it is important to seek legal counsel when determining retention guidelines.

#### **4. Who is responsible for filing it?**

Job descriptions are very important here. It should be very clear who in our organization is responsible for what. This will not only ensure that information will be kept and discarded as it should be, but it will guarantee that everyone is on the same page. Teamwork goes a long way when it comes to storing and compiling information needed for auditors. Having responsibilities clearly defined will reduce the amount of panic and stress when it's time for an audit.

#### **5. Who needs access to it?**

Did someone say security? As we all know, clearly outlining who has access to what data is incredibly important to many auditors. Permissions should be clearly documented, defined, and understood by everyone in and working with our organization. Also, once our security is put in place it should be reviewed and tested regularly to ensure everything is working as intended. Don't wait for an auditor to bring an oversight to our attention!

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## 6. How can we find it?

Data isn't any good if we can't find it when we need it. This is where naming conventions and version control come in to play. Knowing how documents and files should be named doesn't just make things pretty or organized, it is important so we know how to find them. The same goes for version control. What good is it if you find something, but you aren't certain it is the most recent, up-to-date, and accurate version? Again, determining naming conventions and version control and making sure everyone involved understands these will enable information to be found quickly and easily thereby reducing our time spent with auditors.

## 7. How is it backed up?

There are many ways to back up information whether the information exists on paper or digitally. Backups can be stored locally or offsite, on backup drives or in the cloud, and a multitude of other possibilities. The key is to select the way that best fits our organization. Whichever way we choose, it is of utmost importance to check on our backup plan regularly to make certain everything is working as it should. There's nothing like losing a hard drive the day before an auditor is to arrive and then find that the backup is only as recent as six months ago.

## Does this really work?

In short, YES! For example, one client implemented the Productive Environment Finding System™ in his financial services company. Shortly afterward, the auditors arrived. On previous occasions the auditors stayed onsite an average of 3 to 4 days. This time, after only one day, the chief auditor told the owner, "We're done! We have everything we need." The client rewarded his staff with an afternoon golf game!

After working with a Certified Productive Environment Specialist, another business owner wrote: "In the managed money business, our offices generate tremendous amounts of data. We have it stored in files and notebooks, piled on top of our desks, overflowing our in and out boxes, stacked on credenzas behind our desk and filed in our drawers. All this paper can now be easily organized and structured for instant retrieval. The amazing thing about this system is that it is inexpensive, easy to install and operate, and even more importantly, it is easy to maintain."

Implementing systems to answer all seven of the information management questions will reduce your dread of audits by enabling you to produce accurate data in a timely manner, maintain your compliance and greatly reduce the time you spend dealing with audits. Fear no more!

## About the author:

Nicole King is the founder and owner of Nicole King Productive Solutions, holds an MBA, and is a Certified Productive Environment Specialist. Nicole King Productive Solutions specializes in helping organizations get auditors out with ease. If you would like more information about Nicole King Productive Solutions and how we can help, please visit [www.nkproductivesolutions.com](http://www.nkproductivesolutions.com).