

Auditors



Occupational Brief Title Codes:

- D.O.T.: 160.167-054
- G.O.E.: 11.06.01
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Occupational Subtitles:

- Government Auditors
- Information Systems Auditors
- Internal Auditors
- Tax Auditors

Work Classification Based Related

D.O.T. Occupations:

- Chief Bank Examiners
- Controllers
- Credit Counselors
- Investment Analysts

Interests Based Related

G.O.E. Occupations:

- Accountants
- Bursars
- Operations Officers
- Revenue Agents

Skills Based Related

O*NET Occupations:

- Budget Analysts
- Financial Analysts
- Personal Financial Advisors
- Treasurers, Controllers, and Chief Financial Officers

Noteworthy Quote:

"The accounting and auditing professions are dynamic and continually evolving. With tax and regulation changes along with new areas of practice, one must be ever alert and current. That makes this profession very exciting."

—David P. Abrams, CPA, MST, Principal, Abrams Little-Gill Loberfeld PC, Chestnut Hill, Massachusetts

Auditors (ˈau-di-tors) prepare, analyze, and verify financial documents, accounting records, and operating procedures in order to determine the financial status of an establishment and provide information to clients. They may also make recommendations to improve operations and financial position of an establishment.

Auditors help to ensure that the Nation's firms are run more efficiently, its public records kept more accurately, and its taxes paid properly and on time. They perform these vital functions by offering an increasingly wide array of business, accounting, and auditing services to their clients or employers.

There are two broad kinds of auditors: internal and external. Generally, internal auditors work on behalf of the directors and executive body of the firm or government agency that employs them. External auditors attest to the financial reporting, that is, the published financial statements, of companies or organizations.

Work Performed

Internal auditors work for one firm or business. Serving as consultants to management and the directors, auditors assist management by examining and evaluating the activities of the firm.

Internal auditors conduct operational audits, regulatory reviews, and other special projects. They look into operations, such as research and development, production, personnel, marketing, and information systems. They recommend methods to increase efficiency, effectiveness, and profits.

In conducting an audit, internal auditors follow generally accepted auditing and accounting standards. They use sampling techniques to test the accuracy of transactions and the accounting system, and management information systems. They test the recorded amounts for inventories, property, and equipment. They compare orders and receipts with company records to confirm that transactions took place.



Auditors prepare, analyze, and verify financial documents, accounting records, and operating procedures.
Photo by CGP Staff

In evaluating the results of these inquiries, auditors apply their own judgment and experience. If questions arise, they expand the search to get further information. They satisfy themselves that data on the books are accurate.

Internal auditors check inventories. They look to see whether storage methods prevent theft or spoilage. Auditors may suggest a way to save energy and at the same time use by-products. They see whether the firm is meeting its schedules. They may make suggestions to clear up a bottleneck. They are also alert to the possibilities of fraud or theft.

Internal auditors review and report to management on taxes, sales, purchasing, and advertising. They audit payrolls. They challenge the value of accounts receivable and look for unrecorded accounts payable. They look for ways to do the work faster and cut costs.

Government auditors work in the public sector. They examine the records of government agencies and audit private businesses and individuals whose activities are subject to government regulations or taxation. They may work for the U.S. General Accounting Office (GAO), the Internal Revenue Service, or in financial management, financial institution examination, or budget analysis and administration. Economy and efficiency audits, for instance, determine whether an agency is managing its staff and property economically and efficiently. Program efficiency audits show the results of government programs.

Government auditors also perform financial and compliance audits which are similar to those rendered by public accounting firm auditors for industrial corporations. **Tax auditors**, for example, are employed by local, state, or federal governments to examine the tax returns of individuals and businesses. Working either in their office or in the field, they answer questions and explain changes to taxpayers. **Unemployment insurance auditors** check an employer's records to learn whether a former employee has a right to unemployment benefits. They also check to see if an employer has made payments to the insurance fund and has followed regulations on hirings and layoffs.

External auditors examine the financial statements and records of client companies. They determine whether the financial statements of a company or agency fairly present its financial position and operations in accordance with generally accepted accounting procedures.

External auditors see that all matters affecting the finances of the company have been recorded. They determine that the entries are in accordance with generally accepted accounting principles. The purpose of an external audit is to confirm the validity of financial statements or other published data.

While doing an audit, auditors give oral or written reports to their clients. When finished with the testing and sampling procedures, auditors reach a conclusion that will become the auditor's report. If the financial statements are in conformity with generally accepted accounting principles, auditors will affix the name of their firm to the report. On the other hand, if concerns are serious, auditors may disclaim an opinion. That is, they may withhold giving any opinion at all about the audit.

A completed audit is usually accompanied by a statement to the effect that the audit was conducted in conformity with generally accepted accounting and auditing principles and standards. Auditors discuss with the client the findings of the audit. In some states, a public accountant (PA), or a registered public accountant (RPA) may also issue an audit opinion.

The increasing use of computers in accounting and auditing has led to the emergence of **information systems auditors**. Special software enables programmers to put data in formats that aid in operational as well as financial management and analysis, called electronic data processing (EDP) systems. Built-in controls enable auditors to insure the reliability of the systems and the correctness of data. Many auditors with extensive computer skills are experts in correcting problems with software systems and in developing software programs that will deliver special data for specific applications such as banking or other fields.

Working Conditions

Auditors generally work in a typical office setting, either their own office or in one provided by a client. Self-employed auditors may be able to do part of their work at home. Auditors may also travel to see clients, visit branches of their own firm, or visit government facilities. In some instances, an on-site audit may last more than three weeks.

Hours and Earnings

Most auditors work forty hours a week, but many work longer hours, especially when they are working under a deadline. They also work long hours during busy times of the year. Tax specialists, for instance, often work long hours during the tax season. Self-employed auditors set their own hours, but generally arrange work around the needs of their clients. They often work long hours when they have numerous clients.

Earnings vary with education and professional credentials, experience, employer, and geographic location. According to the Bureau of Labor Statistics, in 2002, accountants and auditors earned an average of \$53,230 a year. Overall, earnings ranged from around \$30,000 a year to well over \$80,000 a year. Median earnings in the industries employing the largest numbers of accountants and auditors ranged from \$40-50,000 a year. Top paying industries with average wages ranging from \$60-70,000 a year included business, computer, and management training; apparel and piece goods merchant wholesalers; software publishers; securities and commodity contracts brokerages; and accounting and bookkeeping services.

Auditors in government are paid on a GS (grade and step) scale. In 2003, the average salary for auditors employed in the federal government was \$73,247 a year. The starting salary for junior accountants and auditors was \$23,442 a year. Those who had a superior academic record might start at \$29,037, while applicants with a master's degree or 2 years of professional experience usually began at \$35,519.

According to a 2003 salary survey conducted by Robert Half International, accountants and auditors with up to 1 year of experience earned between \$29,500 and \$40,500 a year. Those with 1 to 3 years of experience earned from \$34-49,500 a year. Senior accountants and auditors earned from \$41-61,500 a year; managers earned from \$47,500 to \$78,750 a year; and directors earned between \$66,750 and \$197,500 a year.

The earnings of self-employed auditors depend on the range of their skills and number of clients. Most who have been in business several years can earn at least \$35-40,000 a year, but many earn significantly more.

Most employers offer paid vacations and sick leave, health and life insurance, and pension plans. Self-employed auditors, however, must provide for their own benefits.

Education and Training

Auditors must have at least a bachelor's degree in accounting, or a related business field. While in high school, students should take as many mathematics and business courses as possible. They should also take courses which prepare them for college entry, including English, sciences, and social studies.

Employers expect applicants to be competent in computers and their applications in accounting and auditing. Previous experience in accounting or auditing can be especially helpful to applicants. Many colleges offer students an opportunity to gain experience through summer or part-time internship programs conducted by public accounting or business firms.

Some employers prefer applicants with a master's degree in accounting, or in business administration with a concentration in accounting. Auditors must also have additional education and/or experience to qualify for advanced work.

Beginning auditors in the federal government must have at least 4 years of college with a minimum of 24 credit hours of accounting or auditing, or an equivalent combination of education and experience. Government auditors are required to conform to Standards for Audit of Government Organizations, Programs, Activities, and Functions, put into force by the Comptroller General of the United States.

Information systems auditors must have a bachelor's degree in accounting, business administration, or information science. A master's degree is desirable, or two to four years of experience in internal auditing or electronic information and data processing systems.

Certification and Professional Societies

Many accountants and auditors are unlicensed management accountants, internal auditors, or government accountants and auditors. However, a large number are licensed by their state board of accountancy as Certified Public Accountants (CPAs). CPAs must pass the Uniform CPA Examination prepared by the American Institute of Certified Public Accountants (AICPA). In almost all states they must be college graduates with a degree in accounting, and have

some accounting experience. A few states substitute a number of years of public accounting experience for a college degree.

Auditors may also obtain additional certification attesting to their professional competence through various professional societies on a voluntary basis. The Institute of Internal Auditors (IIA), for example, grants the Certified Internal Auditor (CIA) designation to graduates of accredited colleges and universities with two years of experience in internal auditing, and who have passed a four-part examination. IIA has also implemented three new specialty designations with similar requirements: Certification in Control Self-Assessment (CCSA); Certified Government Auditing Professional (CGAP); and Certified Financial Services Auditor (CFSA).

The Information Systems Audit and Control Association (ISACA) grants the designation Certified Information Systems Auditor (CISA) to candidates who have had five years of experience in auditing information systems, and pass an examination. Auditing or data-processing experience and a college education may be substituted for up to two years of work experience.

The Bank Administrative Institute (BAI) offers the Certified Bank Auditor (CBA) designation. Candidates must have a bachelor's degree from an accredited college or university, two years of bank auditing experience, and pass an examination. A master's degree in business or accountancy may be substituted for one year of work experience.

Auditors may hold any number of certificates. An internal auditor, for instance, might be a CPA, CIA, and CISA. Nearly all professional societies and states require continuing education to maintain or renew certification. The professional organizations representing accountants and auditors sponsor courses, seminars, workshops, study programs, and other forms of educational and networking opportunities to help those certified meet continuing education requirements, and to encourage the general advancement of the field.

Personal Qualifications

Auditors should have an aptitude for problem solving. They should be able to analyze, compare, and interpret facts and figures quickly, and make sound judgments with this knowledge. Auditors must be able to present the results of an audit both verbally and in writing. They should be good at working with people as well as with accounting systems and computers. Accuracy, the ability to handle responsibility, and high standards of integrity are vital.

Occupations can be adapted for workers with disabilities. Persons should contact their school or employment counselors, their state office of vocational rehabilitation, or their state department of labor to explore fully their individual needs and requirements as well as the requirements of the occupation.

Where Employed

In 2002, accountants and auditors held roughly 1.1 million jobs. They worked throughout private industry and government. Many worked for accounting, tax preparation, bookkeeping, and payroll services firms. Nearly 1 out of 10 were

self-employed. Some are full-time college or university faculty, and others teach part-time while working.

Employment Outlook

Opportunities for accountants and auditors will be favorable. The Bureau of Labor Statistics expects employment to grow by 19.5 percent through the year 2012—an increase of around 205,000 jobs. An additional 200,000 positions are also expected to open due to replacement needs in this large occupation.

The number of business establishments continues to grow. The volume and complexity of company finances is increasing as well. Increasing competition is forcing many businesses to find cost-saving measures through audits. Changes in laws and regulations relating to taxes, mergers, stocks and bonds, and other financial matters will further drive employment growth for auditors. The growth of international business has led to more demand for accounting and auditing expertise and services related to international trade and accounting rules, investments, mergers, and acquisitions. Recent accounting scandals have led to increased penalties and made executives personally responsible for falsely reporting financial information. These changes will lead to increased scrutiny of company finances and accounting procedures to discover and eliminate fraud.

In spite of the growing opportunities for auditors, competition for the most prestigious jobs in major accounting and business firms will remain keen. Opportunities for entry will be reserved for those with some degree of specialization, expertise, and knowledge in specific areas and industries, and proficiency in accounting and auditing computer software.

Entry Methods

College career services offices help graduates in their job search. State employment offices list auditing jobs with industry and business. Want ads in papers and professional societies list openings. Job seekers should apply at firms that offer auditing services and at firms that have internal auditors.

To get a job with the government, applicants must pass a civil service exam, including written and oral examinations. Interviewers judge job seekers on their education, experience, reasoning skills, and judgment. Those who pass go on a list of eligible candidates.

Advancement

Advancement in the field requires auditors to be well versed in the field, and have a background of experience and skills in new technologies. Beginning auditors usually start in junior accounting or auditing positions, and advance to positions with more responsibilities by demonstrating their skills on the job. Those who excel often move to senior positions, and may become supervisors, managers, or partners. Some open their own consulting or accounting office. Others transfer to executive positions in management accounting or internal

auditing in private firms. Some become controllers, treasurers, financial vice presidents, chief financial officers, or corporation presidents.

For Further Research

American Institute of Certified Public Accountants, 1211 Avenue of the Americas, New York, NY 10036. Web site: www.aicpa.org

Information Systems Audit and Control Association, 3701 Algonquin Road, Suite 1010, Rolling Meadows, IL 60008. Web site: www.isaca.org

Institute of Internal Auditors, 247 Maitland Avenue, Altamonte Springs, FL 32701-4201. Web site: www.theiia.org

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