



# Decision: Audit, Review or Compilation?

Prepared for: IMA NERC

Date: September 15, 2025

"CohnReznick" is the brand name under which CohnReznick LLP and CohnReznick Advisory LLC and their respective subsidiaries provide professional services. CohnReznick LLP and CohnReznick Advisory LLC (and their respective subsidiaries) practice in an alternative practice structure in accordance with the AICPA Code of Professional Conduct and applicable law, regulations and professional standards. CohnReznick LLP is a licensed CPA firm that provides attest services to its clients. CohnReznick Advisory LLC provides tax and business consulting services to its clients. CohnReznick Advisory LLC and its subsidiaries are not licensed CPA firms.



## Introductions



Melissa L. Ferrucci, CPA  
Office Managing Partner – Connecticut Offices  
959-200-7091  
Melissa.Ferrucci@CohnReznick.com



Jason Newman, CPA  
Partner  
Assurance Practice Leader – New England  
959-200-7059  
Jason.Newman@CohnReznick.com



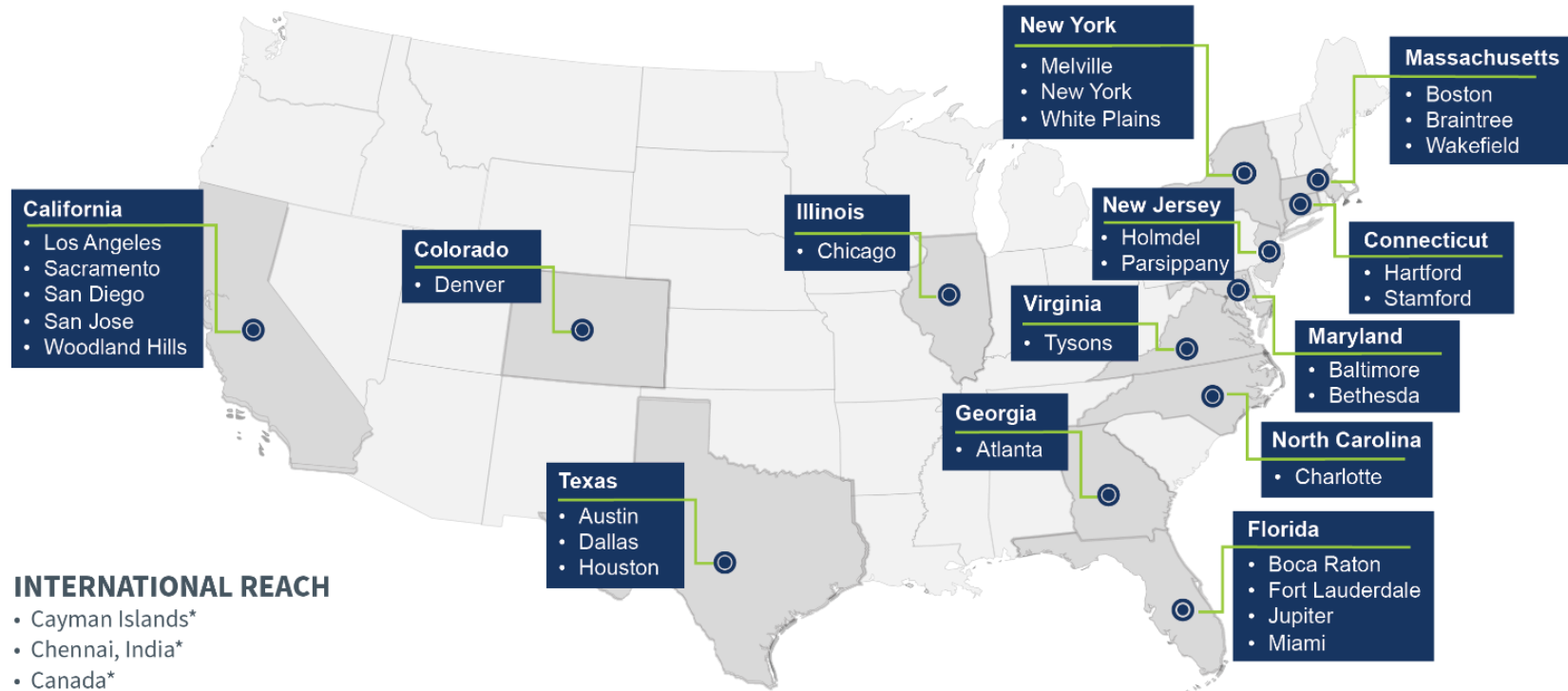
## Disclaimer

Any advice contained in this communication, including attachments and enclosures, is not intended as a thorough, in-depth analysis of specific issues. Nor is it sufficient to avoid tax-related penalties. This has been prepared for information purposes and general guidance only and does not constitute professional advice. You should not act upon the information contained in this publication without obtaining specific professional advice. No representation or warranty (express or implied) is made as to the accuracy or completeness of the information contained in this publication, and CohnReznick LLP, its members, employees and agents accept no liability, and disclaim all responsibility, for the consequences of you or anyone else acting, or refraining to act, in reliance on the information contained in this publication or for any decision based on it.





With offices in 29 cities nationwide, we combine local knowledge with international capabilities, serving organizations around the world through our global affiliates and membership in Nexia International.



#### INTERNATIONAL REACH

- Cayman Islands\*
- Chennai, India\*
- Canada\*
- Philippines\*
- Nexia – CohnReznick is an independent member of Nexia – a leading global provider of assurance, tax, and advisory services, operating in 122 countries.

\*Foreign affiliates

# Facts & Figures



**30**

U.S. offices



**4,700+**

Employees



**\$1.1 billion+**

Annual revenue



**115+ countries**

International reach via Nexia



**340+**

Partners

# Industry Expertise



## Real Estate

- Affordable Housing
- Commercial Real Estate
- Construction



## Private Equity & Financial Services

- Private Equity
- Financial Services
- Broker Dealers
- Independent Sponsors
- Mortgage Lenders
- Real Estate Funds
- REIT Services
- Hedge Funds
- Small Business Investment Companies (SBICs)
- Special Purpose Acquisition Companies (SPACs)
- Venture Capital



## Consumer & Industrial

- Hospitality
- Manufacturing & Distribution
- Consumer
- Cannabis



## Emerging Industries

- Technology & New Media
- Life Sciences
- Renewable Energy
- Healthcare



## Public Sector

- Government
- Government Contracting
- Not-for-Profit & Education



## Private Client Services

- Law Firms, Medical Practices
- Private Clients
- Family Office
- Entertainment/Business Management

## Overview of Engagement Types

Engagement Type	Level of Assurance	CPA Involvement	Intended Users
Audit	Reasonable	Extensive testing, verification	Investors, regulators
Review	Limited	Analytical procedures, inquiries	External stakeholders
Compilation	None	Assist in presenting financials	Internal use, lenders

# Audit

Objective: Provide reasonable assurance that financials are free of material misstatement

Procedures:

- Examination of evidence
- Confirmation, inspection, observation

Report: Includes an opinion on fairness in accordance with GAAP

Use Case: Public companies, regulatory compliance



## Review

Objective: Provide limited assurance that financials are free of material misstatement

Procedures:

- Analytical procedures
- Inquiries of management

Report: Includes a conclusion of plausibility

Use Case: Mid-sized companies, lenders requiring some assurance

# Compilation

Objective: Assist management in presenting financial statements

Procedures:

- No verification of accuracy
- No assurance provided

Report: Includes a disclaimer of assurance

Use Case: Small businesses, internal decision-making



## Key Difference Summary

Feature	Audit	Review	Compilation
Assurance	Reasonable	Limited	None
Procedures	Extensive testing	Inquiries & analytics	Minimal
Report	Audit opinion	Limited assurance	Disclaimer
Cost	High	Moderate	Low
Time	Long	Moderate	Short

# Choosing the Right Engagement

Factors to Consider:

- Regulatory requirements
- Stakeholder expectations
- Budget and timeline
- Business size and complexity





## Misconceptions Audit

- An audit guarantees there are no errors or fraud
- Auditors are responsible for the financial statements
- Audits are only for large companies





## Misconceptions Review

A review is almost the same as an audit

A review will detect fraud

It's a cheaper audit





## Misconceptions Compilation

A CPA has verified the numbers

It's a form of assurance

It's not useful for decision-making



## GAAP vs. OCBOA

GAAP: A standardized framework of accounting rules used in the U.S. for preparing financial statements. It ensures consistency, comparability, and transparency across organizations.

OCBOA: Refers to any accounting framework other than GAAP, often used by small businesses or entities that don't need to comply with GAAP. Examples include:

- Cash basis
- Modified cash basis
- Income tax basis



## Regulatory Compliance

GAAP: Required for publicly traded companies and many large private companies. It's governed by bodies like the FASB (Financial Accounting Standards Board).

OCBOA: Typically used by privately held companies that are not required to follow GAAP. It's more flexible and less costly to implement.



# Financial Statement Presentation

GAAP: Requires detailed financial statements including:

- Balance Sheet
- Income Statement
- Statement of Cash Flows
- Statement of Changes in Equity

OCBOA: May present simplified financial statements. For example, under the cash basis, only cash inflows and outflows are reported.

## Recognition of Revenue and Expenses

GAAP: Uses accrual accounting – revenue and expenses are recognized when earned/incurred, not when cash is received or paid

OCBOA: Often uses cash or modified cash basis – revenue and expenses are recognized when cash changes hands

GAAP: Best for companies needing external financing, undergoing audits, or planning to go public

OCBOA: Suitable for small businesses, sole proprietors, or entities with simple financial reporting needs

## Cost and Complexity

GAAP: More complex and costly to implement due to detailed standards and disclosures

OCBOA: Easier and cheaper to maintain, with fewer reporting requirements



# Understand the Auditor's Requirements

- Review the PBC (Prepared by Client) list
- Clarify Expectations
- Organize Documentation Clearly
- Ensure Completeness and Accuracy
- Use Standardized Formats
- Review and Cross-Reference
- Maintain Version Control
- Secure and Share Efficiently
- Be Responsive and Available



## AI/Technology

- Automation of Routine Tasks
- Real-Time Monitoring
- Fraud Detection
- Risk Assessment
- Audit Scope Expansion
- Predictive Analytics





## **AI/Technology Review and Compilations**

- Document Analysis
- Workflow Automation
- Human-in-the- Loop Verification





## **AI/Technology Governance and Reliability**

- Transparency and Oversight
- Testing and Monitoring
- Data Management





## AI/Technology

- Robotic Process Automation (RPA)
  - Use Cases: Automates repetitive tasks like data extraction, reconciliation, and report generation
  - Benefits: Reduces manual errors, speeds up transactional audits, and frees up auditors for higher-level analysis.

## AI/Technology

- Data Analytics & Visualization
  - Use Cases: Identifies anomalies, trends, and risks using predictive analytics and clustering
  - Tools: Tableau, Power Bi and custom dashboards
  - Benefits: Enhances audit quality and stakeholder communication

## Conclusion

Each engagement serves a different purpose

Understanding the differences ensures informed decision-making

Consult with a CPA to determine the best fit for your organization





## Questions?

Thank You!

Melissa L. Ferrucci, CPA  
Office Managing Partner – Connecticut Offices  
959-200-7091  
[Melissa.Ferrucci@CohnReznick.com](mailto:Melissa.Ferrucci@CohnReznick.com)

Jason Newman, CPA  
Partner  
Assurance Practice Leader – New England  
959-200-7059  
[Jason.Newman@CohnReznick.com](mailto:Jason.Newman@CohnReznick.com)

