

Audit Procedures and Checklists

William Hall
Senior Financial Consultant
Vermont League of Cities and Towns
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Audit Procedures Checklist

- General procedures
 - Review of select board minutes
 - Analytical review of financial statements
- Account specific procedures
 - Balance sheet accounts
 - Revenue and expenditure accounts

General Procedures

- Review prior year audit file
 - Were there significant adjustments in the prior year?
 - Were there specific accounts that were problematic in auditing?
 - Are there items in the prior year that will have an impact on the current year?
 - Helps in planning procedures for current year

General Procedures

- Read minutes of the annual meeting and any special meetings
 - Are all articles affecting the financial statements properly reflected in the statements
 - Trace approved budget and any subsequent amendments to the budget amounts in the financial statements

General Procedures

- Read minutes of select board meetings
 - Salary rates and changes
 - Ordinances and resolutions adopted
 - Approval of tax anticipation borrowing
 - Transfers or loans between funds
 - Grant applications
 - Purchase and sale of major equipment
 - Discussion of contingent liabilities (e.g., lawsuits)

General Procedures

- Prepare confirmation letters
 - All cash accounts
 - All investments
 - All loans and bonds

General Procedures

- Review current year financial statements and perform an analytical review
 - Compare current year actual to current year budget
 - Compare current year actual to prior year actual
 - Obtain explanations for any significant variations

Account Specific Procedures

- Procedures performed will depend on a number of factors
 - Results of review of system of internal control
 - Results of prior year audit procedures
 - Accounting and financial reporting method used
 - Amount of available time/budget
- May need to stagger procedures from year to year

Account Specific Procedures

- Balance sheet accounts
 - Petty cash
 - Checking and savings accounts
 - Investments
 - Taxes receivable
 - Other accounts receivable (including grants)
 - Capital assets
 - Accounts payable and accrued liabilities
 - Bonds and notes payable

Account Specific Procedures

- Revenue and expenditure accounts
 - Tax revenues
 - General revenues
 - Payroll disbursements
 - General disbursements

Petty Cash

- Count petty cash fund(s)
- Reconcile to balance in general ledger
- Test a sample of reimbursements to fund
 - Are reimbursements supported by proper documentation?
 - Is fund maintained on an imprest basis and reimbursement restores fund to proper balance
 - Are reimbursements made payable to the custodian of the account?

**ANYTOWN, VERMONT
PETTY CASH RECONCILIATION
JUNE 30, 20XX**

| | | |
|--|----------------------|---------|
| Petty Cash Summary | | |
| Administration | \$ 25.00 | |
| Town Clerk | 150.00 | |
| Public works | 50.00 | *** |
| Public safety | 75.00 | |
| Recreation | <u>50.00</u> | |
| Total Petty Cash | <u>\$ 350.00</u> | |
| Petty Cash Test - Public Works | | |
| Cash on hand | <u>\$ 22.30</u> | |
| Receipts | | |
| Bond Auto Parts - oil filter | 14.95 | |
| Anytown Post Office - postage for return | <u>12.75</u> | |
| Total receipts | <u>27.70</u> | |
| Total Petty Cash | <u>\$ 50.00</u> | *** |

Cash Reconciliation

- Review year end reconciliation
 - Trace balance per bank to confirmation or statement
 - Trace balance per books to general ledger
- Verify deposits in transit and outstanding checks to next statement
 - Are clearing times reasonable?
- Review other reconciling items
- Perform a test on transfers between funds
 - Were all transfers recorded in the same year?

ANYTOWN, VERMONT
BANK RECONCILIATION
JUNE 30, 20xx

| | Balance Beginning |
|--------------------------------|------------------------------|
| Balance per Bank | |
| Checking account | \$ 970,415.67 |
| Deposits in transit | 6,712.68 |
| Outstanding checks | (83,559.80) |
| Other reconciling items | |
| Deposit corrections | - |
| NSF checks in transit | 20.00 |
| Balance per Books | \$ 893,588.55 |

Cash Reconciliation

- Consider preparing a proof of cash
 - More important if there are weaknesses in internal control
 - All bank activity (beginning balance, deposits, disbursements, and ending balance) is reconciled with book activity

| ANYTOWN, VERMONT PROOF OF CASH JUNE 30, 20XX | | | | |
|--|------------------------------|----------------------|------------------------|------------------------|
| | <u>Balance Beginning</u> | <u>Receipts</u> | <u>Disbursements</u> | <u>Balance End</u> |
| Balance per Bank | | | | |
| Checking account | \$ 803,442.43 | \$ 469,451.12 | \$ (302,477.88) | \$ 970,415.67 |
| Deposits in transit | | | | |
| Beginning of month | 4,578.25 | (4,578.25) | | - |
| End of month | | 6,712.68 | | 6,712.68 |
| Outstanding checks | | | | |
| Beginning of month | (67,841.22) | | 67,841.22 | - |
| End of month | | | (83,559.80) | (83,559.80) |
| Other reconciling items | | | | |
| Deposit corrections | 0.10 | (0.10) | | - |
| NSF checks in transit | 25.00 | (45.00) | 40.00 | 20.00 |
| Balance per Books | <u>\$ 740,204.56</u> | <u>\$ 471,540.45</u> | <u>\$ (318,156.46)</u> | <u>\$ 893,588.55</u> |

ANYTOWN, VERMONT
PROOF OF CASH
JUNE 30, 20XX

| | Balance Beginning | Receipts | Disbursements | Balance End |
|----------------------------|----------------------|----------------------|------------------------|----------------|
| Book Activity | | | | |
| Cash Receipts | | | | |
| Property taxes | | \$ 67,458.12 | | |
| Utility receipts | | 16,877.21 | | |
| Other cash receipts | | 387,126.87 | | |
| Cash Disbursements | | | | |
| Accounts payable | | | (215,674.33) | |
| Payroll | | | (102,457.58) | |
| Other Activity | | | | |
| Interest earnings | | 78.25 | | |
| Bank fees | | | (24.55) | |
| Total Book Activity | | \$ 471,540.45 | \$ (318,156.46) | |
| Difference | | \$ - | \$ - | |

Cash Receipts Activity

- In conjunction with cash proof review cash receipts journals for the month selected
- Trace individual bank deposits to the bank statement
- Review supporting documentation for deposits (can be done using sampling)
- Verify that all revenues from the state have been properly posted

Cash Disbursement Activity

- In conjunction with cash proof review cash disbursements journals for the month selected
- Review supporting documentation for disbursements
 - Agree with invoices?
 - Agree with cancelled checks?
 - Agree with select board orders?
 - Agree with required approvals?
 - Agree with expense account distribution?

Investments

- Review transaction reports
- Trace activity to general ledger
- Verify year end balances

Taxes Receivable

- Prepare or review tax reconciliation (both current taxes and delinquent taxes)
 - Review delinquent tax warrant
 - Compare collections to cash receipts journal
 - Verify abatements
- Coordinate with tax revenue test

ANYTOWN, VERMONT
PROPERTY TAXES RECEIVABLE
JUNE 30, 20xx

| | Taxes | Interest | Total |
|------------------------------------|---------------|--------------|---------------|
| Balance, beginning of month | \$ 487,125.66 | \$ 29,874.24 | \$ 516,999.90 |
| Current month activity | | | |
| Tax adjustments | (1,478.25) | | (1,478.25) |
| Interest added | | 4,258.11 | 4,258.11 |
| Interest abated | | (89.25) | (89.25) |
| Collections | (287,144.25) | (14,877.11) | (302,021.36) |
| Balance, end of month | \$ 198,503.16 | \$ 19,165.99 | \$ 217,669.15 |

**ANYTOWN, VERMONT
DELINQUENT TAX RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 20xx**

| | <u>Taxes</u> | <u>Interest</u> | <u>Penalty</u> | <u>Fees</u> | <u>Total</u> |
|---------------------------------------|---------------------|--------------------|--------------------|-----------------|---------------------|
| Balance, July 1 | \$ 75,877.25 | \$ 7,255.77 | \$ 4,874.22 | \$ 100.00 | \$ 88,107.24 |
| Activity | | | | | |
| Delinquent taxes from collector | 198,503.16 | 19,165.99 | | | 217,669.15 |
| Delinquent penalties & interest added | | 1,985.03 | 15,880.25 | | 17,865.28 |
| Interest and fees added | | 11,256.55 | | 750.00 | 12,006.55 |
| Abatements | (4,788.22) | (47.88) | (383.06) | | (5,219.16) |
| Collections | <u>(196,692.70)</u> | <u>(31,175.67)</u> | <u>(15,708.25)</u> | <u>(800.00)</u> | <u>(244,376.62)</u> |
| Balance, June 30 | <u>\$ 72,899.49</u> | <u>\$ 8,439.79</u> | <u>\$ 4,663.16</u> | <u>\$ 50.00</u> | <u>\$ 86,052.44</u> |

Other Accounts Receivable

- Review schedule of other receivables and compare to supporting details
- Review subsequent receipts for omitted items
- Are grant receivables correctly reported?

Capital Assets

- Review or prepare capital asset inventory
- Review documentation for acquisitions and disposals
- Review cash disbursements for unrecorded assets

Accounts Payable and Other Liabilities

- Accounts payable
 - Review listing and compare to invoices
 - Search subsequent expenditures for unrecorded payables
 - Search for retainage amounts on long-term contracts
- Payroll liabilities
 - Trace liabilities to tax returns
 - Review subsequent expenditures for payment
 - Co-ordinate with payroll review
- Long-term debt
 - Review or prepare debt activity schedule
 - Trace proceeds of new debt issued to receipts journal
 - Review documentation of principal and interest payments

Tax Revenues

- Reconciliation of grand list
 - Authorization of changes to grand list
 - Review of permits and land transfer records
- Changes to grand list and taxes due
 - Lister changes
 - BCA changes
 - State changes

Tax Revenues

- Trace values to Form 411
- Trace tax rate to select board minutes
- Recalculate tax amounts billed
- Verify abatements
- Trace payments to cash receipts journal
- Trace delinquent amount to delinquent taxes receivable
- Verify payments to school district

**ANYTOWN, VERMONT
TAX RECONCILIATION
JUNE 30, 20XX**

| | <u>Municipal</u> | <u>Homestead Education</u> | <u>Non-resident Education</u> | <u>Local Agreement</u> | <u>Total</u> |
|-----------------------------|-------------------------|--------------------------------|-----------------------------------|----------------------------|-------------------------|
| Taxes to account for | | | | | |
| Grand List | \$ 8,757,279.55 | \$ 4,373,507.57 | \$ 3,584,268.38 | \$ 8,757,279.55 | |
| Tax rate | 0.3281 | 1.1361 | 1.3125 | 0.0049 | |
| Taxes as calculated | 2,873,263.42 | 4,968,741.95 | 4,704,352.25 | 42,910.67 | 12,589,268.29 |
| Rounding Adjustment | (47.59) | 0.28 | 1.50 | 0.30 | (45.51) |
| Taxes billed | <u>\$ 2,873,215.83</u> | <u>\$ 4,968,742.23</u> | <u>\$ 4,704,353.75</u> | <u>\$ 42,910.97</u> | <u>\$ 12,589,222.78</u> |
| Taxes accounted for | | | | | |
| Taxes collected | \$ 12,258,144.25 | | | | |
| Tax adjustments | | | | | |
| Grand list corrections | 4,785.22 | | | | |
| Abatements | (2,577.22) | | | | |
| Small balance adjustments | (24.55) | | | | |
| Overpayment to prepaid | 4,788.25 | | | | |
| To delinquent collector | <u>324,106.83</u> | | | | |
| Total accounted for | <u>\$ 12,589,222.78</u> | | | | |
| Variance | <u>\$ (0.00)</u> | | | | |

General Revenues

- Town Clerk fees – recalculate revenues based on activities
- State payment report – trace payment amounts to cash receipts journal
– http://finance.Vermont.gov/town_reports
- Compare actual revenues to budgeted and prior year amounts for variances

General Disbursements

- Compare actual expenditures to budgeted and prior year amounts for variances
- Trace sample of expenditures to supporting documentation and verify information
- Examine large expenditures

Payroll Disbursements

- Review or prepare payroll summary by quarter
- Trace amounts to tax returns
- Reconcile totals to general ledger
- Trace sample payroll
 - Verify hours and rates of pay
 - Recalculate amounts
 - Trace amounts to warrant and general ledger

ANYTOWN, VERMONT
PAYROLL RECONCILIATION
FOR THE YEAR ENDED JUNE 30, 20XX

| | <u>September</u> | <u>December</u> | <u>March</u> | <u>June</u> | <u>Total</u> |
|-------------------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| FIT wages | | | | | |
| Gross payroll | \$ 250,203.34 | \$ 198,043.63 | \$ 157,466.38 | \$ 139,920.53 | \$ 745,633.88 |
| Adjustments to taxable wages | | | | | |
| Flexible spending account | (1,710.21) | (1,541.22) | (1,455.87) | (1,784.22) | (6,491.52) |
| Retirement contributions | <u>(13,920.42)</u> | <u>(11,352.80)</u> | <u>(12,386.48)</u> | <u>(11,434.87)</u> | <u>(49,094.57)</u> |
| FIT Taxable | <u>\$ 234,572.71</u> | <u>\$ 185,149.61</u> | <u>\$ 143,624.03</u> | <u>\$ 126,701.44</u> | <u>\$ 690,047.79</u> |
| FICA/Medicare wages | | | | | |
| Gross payroll | \$ 250,203.34 | \$ 198,043.63 | \$ 157,466.38 | \$ 139,920.53 | \$ 745,633.88 |
| Adjustments to FICA/Medicare wages | | | | | |
| Flexible spending account | <u>(1,710.21)</u> | <u>(1,541.22)</u> | <u>(1,455.87)</u> | <u>(1,784.22)</u> | <u>(6,491.52)</u> |
| FICA/Medicare taxable | <u>\$ 248,493.13</u> | <u>\$ 196,502.41</u> | <u>\$ 156,010.51</u> | <u>\$ 138,136.31</u> | <u>\$ 739,142.36</u> |
| Gross payroll reconciliation | | | | | |
| Administration | | | | | \$ 258,576.17 |
| Public safety | | | | | 24,744.25 |
| Public works | | | | | 417,455.22 |
| Recreation | | | | | 9,877.25 |
| Planning and development | | | | | 29,744.25 |
| Library | | | | | <u>5,236.74</u> |
| Total payroll | | | | | <u>\$ 745,633.88</u> |

Financial Statements

- Verify that all required statements are presented
- Complete an analytical review
 - Compare revenues and expenditures to budget and prior year amounts
 - Obtain explanations for significant variances
 - Analyze accounts with unusual balances

Questions

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