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REV	TEW	OBJECTIVES:	
•]	Γrust	whether internal controls are in place and operating effectively to ensure: fund receipts are properly collected, recorded and deposited in accordance greement/contract or statutory requirement.	
•]	Γrust	fund disbursements are properly authorized and recorded completely, accu- and timely in accordance with agreement/contract or statutory requirement.	
A. R	REPO	ORT SECTION	
	1.	FINAL REPORT Prepare a final report. Include auditee responses to the audit findings and recommendations in the final report. Also attach the signed copy of the responses when distributing the final report. Be sure to have final report and responses proof-read prior to distribution.	
	2.	EVALUATE AUDITEE'S RESPONSES Review management's responses to the recommendations contained in the draft report and evaluate for appropriateness and adequacy.	
	3.	EXIT DRAFT REPORT Prepare an exit draft report. If the exit draft report needs to be re-submitted with revisions to the auditee, include a copy of the revised exit draft report.	
	4.	INITIAL & REFERENCE DRAFT REPORT Prepare initial draft of the report. Cross reference findings to work papers.	
B. A	DMI	NISTRATION SECTION	
	1.	JOB ASSIGNMENT SHEET Complete the assignment sheet and budget information on Audit Docket upon opening of assignment. Update Audit Docket to reflect current audit status including milestones.	
	2.	TIME/BUDGET MONITORING Prepare a time/budget summary to monitor fieldwork progress.	
	3.	BUDGET REVISIONS If necessary, prepare a budget revision. The need for budget revisions (hours and completion date) should be identified and discussed with the Manager as soon as possible in the audit process.	
	4.	 QUALITY ASSURANCE Complete the Audit Planning Checklist after the final scope has been determined. Complete the Audit Program checklist after the final audit program has been written. Complete the Audit Workpaper Checklist at the end of the audit. Complete the Audit Closing Procedures Checklist after the final report has been issued. 	

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C. WRAP-UP MEMO	
Prepare a Wrap-Up Memo. Include comments in the wrap-up memo as encoun-	
tered during the audit including:	
 Future program and/or approach changes 	
Comments on the audit scope	
Other comments of future benefit	
D. AUDIT PROGRAM	
Prepare the audit program. Obtain Manager approval of the draft audit program	
before the related work begins, or as soon as possible thereafter. Revise and re-	
place the program as necessary throughout fieldwork.	
E. FINDINGS	
1. FINDING SUMMARY	
Use a control sheet to summarize abstract topics and dispositions. Findings	
should be referenced to the source workpaper.	
2 PINIDING A DOTTO A CITIC	
2. FINDING ABSTRACTS	
Prepare finding abstracts of potential audit findings. Ensure abstracts ade	
quately develop the finding and include the following elements: Condition	
Cause, Criteria, Effect, Recommendation, Discussion with the auditee, and	
Disposition.	

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F. PLA	NNING/CORRESPONDENCE	
1.	PRE-AUDIT MEETING Conduct a pre-audit meeting with the Manager, In-Charge, and Audit Staff. Discuss audit goals, approach, scope, CPA qualifying time, etc. Also, complete an "audit planning" checklist and include in the workpapers.	
2.	ENTRANCE LETTER Send an entrance letter signed by the Director of Internal Audit announcing our intent to conduct an audit and request or confirm an entrance conference. Ask the contact person to provide the names of individuals who should be copied (cc'd) on the letter.	
3.	ENTRANCE CONFERENCE Conduct an entrance conference to discuss proposed audit scope, timing of engagement, auditee assistance required, office hours, auditor workspace, etc. Inquire if mgmt. has any concerns or issues we should consider during the audit, and document the disposition of each concern/issue. Obtain and review an organization chart, Business Plan, Annual Budget, and Internet website prior to the entrance conference, if possible. (See step G-2)	
4.	EXIT MEETING Conduct an exit meeting with the auditee to discuss exit draft audit report. Include a copy of the draft report in the Report/Correspondence File.	
5.	MANAGEMENT REPRESENTATION LETTER Prepare a Management Representation Letter for the assignment. Discuss the letter at the entrance conference and obtain the letter signed by management at the end of fieldwork.	
	OTHER CORRESPONDENCE Document all other pertinent communications relating to the audit. NOTE: Copies of all significant correspondence to/from the Department Head and the IAD Director should also be placed in the Correspondence folder on the server.	

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G. BAC	KGROUND/SURVEY	
OBJECT	IVE: Gain general knowledge of the Department/Agency's organization and process to be used in determining the scope of this assignment.	
1.	LIST OF CONTACTS Prepare a listing of audit contacts for this review.	
2.	 BUSINESS ACTIVITIES A. Gain an understanding of the structure of the department/agency organization and trust fund process. Information can be obtained through interviews with auditee management and review of pertinent information: Identify types of trust fund under the control of the department/agency, including the reporting categories within the fund. Identify sources and uses of trust fund Obtain agreement/contract or statutory requirement for the trust Revolving cash trust fund (if applicable) Fee schedules, if applicable Total dollar value of receipts and disbursements and transaction volume by each trust fund account General Ledger accounts used by the department/agency Organization Chart Current Business Plan Current Annual Budget (number of employees and department budget obtain from the Internal Audit Library) County Internet Website 	
	B. Perform an <u>analytical review</u> of trust fund receipts and disbursements for at least two years prior to the period under review. Investigate any significant variances.	
3.	 PRIOR REPORTS Review prior audit reports of the auditee including: IAD audit reports Single Audit and CAFR Grant Audits Audits by other funding organizations (State, Fed, etc.) Document relevant findings and note the impact on this audit. 	
4.	PRIOR WRAP-UP Review wrap-up memo(s) from prior IAD working paper files. Note relevant items.	
5.	CORRESPONDENCE & PERMANENT FILES Review the IAD correspondence and permanent files for the auditee (dept./agency). Note any items that may impact this audit.	
H. SCO	PE	
Doc in th	ument the scope established for this assignment and the areas to be included ne scope of the audit. Include the basis for the determination of the scope. ain approval from the Audit Manager before continuing.	

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I. INTER	NAL CONTROLS	
	VE: Obtain an understanding of the dept./agencies controls over trust funds.	
	y controls and form a preliminary assessment of controls. Document a test-	
ing approac	ch to determine the effectiveness of key controls.	
1.	OBTAIN AN UNDERSTANDING OF THE TRUST FUND PROCESS & CONTROLS Perform a walk-through of the trust fund process with the appropriate supervisor/manager. Obtain a basic understanding of the internal controls. Observe the controls and related documents. Obtain photocopy samples of pertinent documents that may be used in testing. Document your understanding of pertinent information to be used in planning test procedures.	
	• Consider having auditee review your process write-ups for accuracy and completeness.	
	SEGREGATION OF DUTIES MATRIX Based on discussion with auditee management and observations made during the disbursing process walk-through, complete a Segregation of Duties Matrix.	
	INTERNAL CONTROL QUESTIONNAIRE Based on discussion with auditee management and observations made during the disbursing process walk-through, complete an internal control questionnaire (ICQ). Document how your evidence was obtained on the ICQ (inquiry, observation, limited testing).	
	PRELIMINARY ASSESSMENT OF CONTROLS Based on the information obtained so far, identify key trust fund controls and form a preliminary assessment of controls.	
	TESTING APPROACH Based on the preliminary assessment of controls formed at step 4, develop and document a detailed testing approach for this assignment. Obtain approval from the Audit Manager before continuing.	

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J. TRUST FUND TESTING

OBEJCTIVE: Determine whether key trust fund controls are in place and working effectively.

1. SUMMARY

Document the work performed and conclude on the objective for this section.

2. **RECEIPTING**

Judgementally select a sample of trust fund receipts and trace from deposit records to supporting documentation and accounting records for accuracy, timeliness, and completeness. Perform the following tests:

- a) Agree amount on deposit slip and Deposit Order (D.O.) to collection records for accuracy.
- b) Review coding on D.O. for accuracy.
- c) Review collection records and deposit records for adequate documentation of review.
- d) Compare the date monies received to the date on D.O. for timeliness of deposit.
- e) Agree amount on D.O. to the subsidiary ledger and/or general ledger.
- f) Review cash receipting records to verify duties are properly segregated as stated in the Matrix.

Document sample selection and conclusion.

3. **DISBURSING**

Judgementally select a sample of disbursements and perform the following tests:

- a) Review description of disbursement for compliance with the purpose of the trust fund.
- b) Verify that proper authorization was documented in writing by signature of an individual on the <u>Authorized Signature List</u>.
- c) Verify payment was made from original source documents or if payment was made from a photocopy that an explanation was documented.
- d) Verify that supporting documents were appropriately canceled (e.g. marked "canceled" or "paid") to prevent duplicate payments.
- e) Review account coding for propriety (e.g. coding, payee) to determine effectiveness of review procedures.

Document sample selection and conclusion.

4. NON-TRUST FUND CHECK TRANSACTIONS

Judgementally select a sample of Journal Vouchers or other non-trust fund check transactions and perform the following tests:

- a) Review descriptions for appropriateness in compliance with the purpose of the trust fund.
- b) Verify that transactions are adequately supported with supporting documentations.
- c) Verify that transactions are properly reviewed and authorized in writing by appropriate personnel.

Document sample selection and conclusion.

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J. TR	UST FUND TESTING (Continued)	
5.	RECONCILIATION To ensure that trust fund transactions are recorded accurately and completely, select a sample of trust fund reconciliations and perform the following tests: a) Mathematical accuracy and completeness b) Agree begin and ending balances to source documents c) Review reconciling items for reasonableness d) Timely preparation e) Documentation of preparation and supervisory review Document sample selection and conclusion.	
6.	 "REQUEST FOR TRUST FUND CHECK" FORMS a) Perform a physical inventory of Request for Trust Fund Check forms. Agree results to the Request for Trust Fund Check log. Review log for issuance in numeric sequence and adequate documentation. 	
7.	ANALYTICAL REVIEW Perform analytical review of trust fund expenditures for the past 2 years. Obtain explanations for significant fluctuations. Review explanations for reasonableness.	
8.	PHYSICAL SECURITY If the auditee receives a significant amount of over-the-counter cash receipts (either year round or seasonal), evaluate the adequacy of physical security at the location/s. Document the existing physical security controls and determine if additional measures are needed through discussions with cash receipting personnel and management. Document your conclusion.	

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