

Shoreline Community College

General

Code: S3Shoreline-FS21
Name: Shoreline Community College
Group: Financial Audit
Type: S3-Community/Technical College
Location: State
Scope: Not Applicable

Team

Lead: Erin Anderson
Manager: Steven Wendling

Procedures

F.1.PRG - Cash & Investments

Procedure Step: Existence
Prepared By: KJM, 3/24/2022
Reviewed By: SHW, 6/13/2022

Purpose/Conclusion.

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Purpose:

To determine whether reported cash and cash equivalents existed as of the end of the period.

Conclusion:

We determined reported cash and cash equivalents existed as of the end of the period. However, we identified 26 checks totaling \$7,337.01 that were outstanding for a period greater than 180 days. See issue ISS.3. We also noted a variance in Other Reconciling Items totaling \$61,804.58. See issue ISS.4. We will carry these to the aggregate of misstatements.[F.8.4]

Testing Strategy:

SAO Policy Requirement: Confirming or Verifying Cash & Investment Balances

Confirmations can either be blind or a positive confirmation. In a blind confirmation (sweep), the auditor requests information on all accounts the bank holds for the entity (by entity name and/or EIN). In a positive confirmation, the auditor lists accounts (or accounts and balances) per the entity and asks the bank to confirm that the information is correct.

- Confirm cash and investment account balances with County Treasurer, bank and/or brokerage. Use the template confirmation form provided in the Store when needed.
 - Confirmations can be mailed to addresses listed on the Bank Confirmation Address List available on the Auditor Reference Guide. If the bank notifies you of a different address, please contact Team Audit Support to update the list.
 - Banks may confirm incorrect amounts either due to a simple mistake, use of a wrong confirmation date or incorrectly including or excluding accounts. The first step in resolving differences should be to check information against the entity's bank statements and then call the bank to specifically confirm any difference.
 - Confirming investments may involve physical inspection, confirmation with the issuer, confirmation with the custodian, confirmation of unsettled transactions with the broker/dealer, confirmation with the counterparty, and/or reading executed partnership or similar agreements. When confirming investments, ensure investments are held in the entity's name.
- *If confirmations are not used*, auditors must at minimum verify balances to the County Treasurer, bank and/or brokerage statements. If this is done, the auditor should consider the risk that the statements were altered and should examine papers for indications of alteration.

The following is a list of **additional considerations** for testing the existence assertion for cash and investments. Results from planning procedures (inherent and control risk assessments) are the basis for the auditor's design of substantive tests.

Bank Reconciliations

If the auditor is comparing reconciled (confirmed) bank or county treasurer balances to the GL (rather than confirmed amounts within an expected variance due to reconciling items), the auditor should consider performing some or all of the following tests to verify the accuracy of the reconciliations. Note that testing the reconciliation will provide evidence of both the existence and completeness of cash and investment balances.

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- Trace (or compare summed) bank balances per statements to reconciliations.
- Trace (or compare summed) book balances per reconciliations to the general ledger or financial statements.

If a cash account is allocable to a particular fund, the balance in the general ledger should be recorded in the same fund.

- Scan the reconciliation for reasonableness. Look for unusual, unexpected or vaguely described reconciling items, lack of support or detail, very large reconciling items, very old reconciling items, and missing or extra elements that would indicate that the reconciliation was being performed incorrectly.
- Foot the reconciliation for accuracy.
- Trace deposits in transit to the subsequent month's bank statement, considering reasonableness of the in-transit period.
- Trace outstanding checks to cash disbursement journal.
- Check that any other reconciling items are valid and have been properly accounted for (ex: large debit or credit memos).
- Check reconciliation against prior and/or subsequent reconciliations for reasonableness of amounts and items included and to trace reconciling items from the previous and/or subsequent period.

Other Tests

- Inquire whether any checks or deposits were being held at year end for budget, cash flow or other purposes.
- Confirm investments purchased but not received as of year-end
- Confirm investments sold but still held as of year-end
- Confirm interest due or accrued but not yet received as of year-end
- Search for manual journal entries that debit (increase) cash. Consider testing if risk indicators are noted.
- Review reconciliations of clearing and transmittal accounts.
- See accountability steps for testing strategies related to petty cash and imprest funds, which are not expected to be material to the financial statements.

Auditors may perform additional procedures to confirm information in the deposit and investment note disclosure in this step or in the Notes to the Financial Statements step. Auditors should contact the Investment Specialist if they note significant interest rate or other risks with the government's deposits or investments.

Guidance/Criteria.*

ADDITIONAL BACKGROUND

Auditors should consider the following background information and resources when performing work on this area.

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Outstanding Checks and Deposits in Transit – Per TIS section 1100.08 (AICPA Technical Questions and Answers), outstanding checks should be reported as a reduction of cash and the amount of deposits in transit should be reported as cash. A check is considered outstanding from the time that it is out of the payor's control – when mailed or delivered to the payee – until the time it clears the bank. Cash should represent amounts within the control of the reporting entity, that is, the amount of cash in banks plus cash and checks on hand and deposits in transit minus the amount of outstanding checks.

SAO Audit Policy [6350](#) – External Confirmations

[Investments](#) Area Guide

[LGIP Fund Summary Reports](#) - includes a list of local government accounts and balances in the Local Government Investment Pool

AUDIT CRITERIA

Key criteria that auditors will likely use when testing this area.

BARS [3.8.6](#) Use of Payroll and Claims Funds

Record of Work Done:

Material Balance(s) and Assertions:

- Cash and cash equivalents-Existence

See internal controls over cash and cash equivalents documented in the permanent file at: [\[B.1.PRG\]](#)

Existence:

We obtained June 30, 2021 US bank statements, petty cash reconciliation, and bank reconciliations from Alysha Joselyn, Director of Financial Services. We also obtained the July 2021 bank statement to verify reconciling items and deposits in transit. We tested for Existence by ensuring that reported balances exist at fiscal year-end, are on hand and in the name of the College, and agree to actual amounts in existence at the bank. See tab "Summary" at: [\[F.1.2\]](#) We noted a variance of \$61,804. **See issue [\[ISS.4\]](#)**

We tied reported checks outstanding to the US BANK Consolidated Check Report provided by the bank and verified amount reported as OS at 6/30/21. From the US Bank Consolidated Check Report we identified 26 checks totaling \$7,337.01 that were outstanding for a period greater than 180 days. **See issue: [\[ISS.3\]](#)** See details on tab "Outstanding_Checks" at: [\[F.1.2\]](#)

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We tested the majority of deposits in transit (100%) by tracing to the subsequent month's bank statement. Additionally, we tested 100% of other reconciling items at 6/30/21. See: [F.1.2] tabs "Deposits_In_Transit" and "Other_Reconciling_Items". We noted two deposits were entered incorrectly into their General Ledger System. The total amount of the misstatement was \$3,611 which is below the floor. **No issues noted.**

Issues

ISS.3 - E: Repeat - Outstanding Checks		
<i>Prepared By:</i>	KJM, 3/24/2022	<i>Issue</i> We identified 26 checks totaling \$7,337.01 on the US Bank Unpaid Only Report that were outstanding for a period greater than 180 days. Per <u>SAAM 85.38.40 A(2)</u> , Agencies are advised to monitor the Aged Outstanding Reports in OST's Treasury Management System on a regular basis. State law requires outstanding warrants to be canceled after 180 days; the Uniform Unclaimed Property Act (<u>RCW 63.29</u>), applies to the outstanding liability for canceled warrants/checks. <u>We recommend</u> the College monitor outstanding checks reports to ensure they are not outstanding for a period greater than 180 days.
<i>Reviewed By:</i>	SHW, 4/20/2022	
<i>Type:</i>	Financial Statements	
<i>Category:</i>	Accounting/Financial Reporting	
<i>Reporting Level(s):</i>	Exit Item	
<i>Impact</i>		
<i>Cost Savings:</i>		
<i>Questioned Costs:</i>		
NOTES		
See LOR: [AS2.a]		
We communicated this issue to Cliff Frederickson, Budget Director		
ISS.4 - E: Cash Reconciliation		

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<i>Prepared By:</i> KJM, 3/24/2022 <i>Reviewed By:</i> SHW, 6/13/2022 <i>Type:</i> Financial Statements <i>Category:</i> Accounting/Financial Reporting <i>Reporting Level(s):</i> Exit Item <i>Impact</i> <i>Cost Savings:</i> <i>Questioned Costs:</i>	<i>Issue</i> Shoreline Community College did not complete thier US Bank Cash Reconciliation for June 30, 2021 until February 2022 due to turnover and staffing shortages. There was also no formal petty cash reconciliation performed for FY21. As a result there was a misstatement of \$61,804.58 that should have been included in the general ledger at year end causing the cash balance to be understated. . <u>We recommend</u> the college complete cash reconciliations promptly on a monthly basis.
NOTES	
See LOR: [AS2.a]	
We communicated this issue to Cliff Frederickson, Budget Director. Cliff agreed with the issue.	