

DIVISION OF ACCOUNTS AND REPORTS
AUDIT SERVICES TEAM
AUDIT CHECKLIST

Agency Name: _____

Agency Number: _____

Fiscal Year Audited: _____

Audit Date(s): _____

Auditor: _____

AUDIT PLANNING CHECKLIST

- 1. Review agency correspondence file and workpapers of previous audit.
- 2. Visit with Randy Kennedy regarding special concerns with the agency's document processing practices.
- 3. Refer to additional planning steps included in individual sections of the Audit Checklist.

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AUDIT PLANNING MEMO

- 1. Prepare an Audit Planning Memo approximately two weeks prior to the beginning of Audit Fieldwork. (Coordinator/Auditor)
 - a. Identify the audit scope (functions to be audited).
 - b. Summarize special concerns identified during audit planning and in the workpapers of the previous audit. Identify the impact of those concerns on the scope of audit fieldwork.
 - c. Identify the amount of time allocated to perform audit fieldwork. Determine which audit procedures should be prioritized if enough time has not been allocated to perform all audit steps included in the audit fieldwork sections of the Audit Checklist.
 - d. In general, audit fieldwork time should be allocated as follows:
 - Delegated Audit Authority Vouchers – ½ day
 - Physical verification inventory of capital assets – ½ day (more time may be required at larger agencies)
 - Business Procurement Card Transactions – ½ day to 1 ½ days (Time allocated is dependent on the size of the agency’s BPC program and the types of transactions.)
 - Local Funds – 1 to 2 hours
 - Commuting in State vehicles – 1 to 2 hours
 - Cellular phone usage – 1 to 2 hours
- 3. Forward the Audit Planning Memo to Tim Hund for review and approval.
- 4. File audit-planning workpapers in audit workpaper file.

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AUDIT NOTIFICATION

- 1. Contact the agency's financial manager approximately one month in advance of the audit fieldwork date to confirm that the agency has no serious conflicts with the scheduled audit fieldwork date.

- 2. Prepare an audit notification letter approximately three weeks in advance of audit fieldwork.
 - If physical verification of capital assets will be performed during the audit, request that the agency provide the most recent report of its capital assets.
 - Inform the agency that the auditor will contact the agency to schedule an opening conference.
 - Request that agency management designate a staff member(s) to serve as the agency's primary contact for responding to audit findings.
 - Note that a closing conference will be scheduled at the end of audit fieldwork to discuss audit findings with agency management and staff.
 - Request that appropriate information be available upon the auditor's arrival at the agency:
 - Vouchers - Supporting documentation should be included with the vouchers (invoices, encumbrance documents, open-end contracts, letters of approval and any other documentation necessary to complete the audit).
 - BPC Transactions – Supporting documentation (logs, receipts, card company statements, vouchers, reconciliation schedules, etc.) supporting purchases made on selected card accounts should be available for review. In addition, the agency BPC Procedures Manual and Cardholder Agreements for BPC accounts selected for audit should also be available for review.
 - Attach lists of payment vouchers and BPC accounts that will be reviewed.

- 3. Send audit notification letter to the agency approximately two weeks in advance of audit fieldwork.

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AUDIT NOTIFICATION (CONTINUED)

- 4. File audit notification letter in audit workpapers.

- 5. Contact agency's financial manager one to two weeks in advance of audit fieldwork, to schedule an opening conference. Confirm the meeting time and location and verify that appropriate agency staff will be available to attend.
 - Manager(s) responsible for function(s) being audited
 - Manager responsible for the agency's internal audit function (if any)
 - The agency's designated primary contact(s) for responding to audit findings
 - Any other appropriate agency staff

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ORGANIZATION OF AUDIT WORKPAPERS

Organize completed audit workpapers in the following manner:

- Include the following documents in a separate “General” Section of the workpapers:
 - Audit Planning Checklist,
 - Prior letter of audit findings,
 - Audit notification letter,
 - Audit Planning Memo,
 - Notes from prior audit workpapers,
 - Opening and Closing Conference Memos, and
 - Any other information related to the audit.

- Attach completed workpapers, including Audit Findings Worksheets, for a specific topic (delegated audit authority, BPC, Local Funds, Capital Assets, etc.) to the associated audit checklist for that section.

- Sections of the audit workpapers should be filed in the following order
 - Draft Letter of Audit findings *
 - General
 - Delegated Audit Authority
 - Business Procurement Card
 - Local Funds
 - Capital Assets
 - Other (as necessary)

* Cross-reference the draft letter of audit findings to individual Audit Findings Worksheets.

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OPENING CONFERENCE

Date: _____ Time: _____ Location: _____

- 1. Discuss the purpose/objectives of the review.
- 2. Identify vouchers, BPC accounts, capital assets, Local Funds, etc. that you will be reviewing.
- 3. Discuss procedures for documenting audit findings (Audit Findings Worksheet).
- 4. Request that Audit Findings Worksheets be returned to you prior to the closing conference, if at all possible.
- 5. Request agency management to identify the agency's primary contact responsible for responding to audit findings. This person will coordinate the agency's processing of Audit Findings Worksheets during audit fieldwork.

Agency Contact(s): _____

- 6. Confirm that other appropriate individuals be available for consultation during audit fieldwork.
- 7. Schedule a closing conference. Time: _____ Date: _____
- 8. Document individuals who attended the opening conference:

9. Notes:

- 10. File opening conference notes in audit workpaper files.

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DELEGATED AUDIT AUTHORITY

- 1. Obtain a list of FY 02 delegated audit authority vouchers selected for review from the audit coordinator (a statistical sample – 73 vouchers for most agencies; 95% confidence level; 5% estimated sample error rate). Additional vouchers will be selected for review if specialty reviews are also to be performed (hospitality, gifts, memberships, registrations, travel, etc.)
 - a. Verify compliance with State policies and procedures, statutes and program requirements.
 - b. Agree vouchers to supporting invoices and any other required documents.
 - c. Determine that capital assets are included on the Agency Inventory Capital Outlay Report (DAFR 8460). Trace capital outlay inventory items to the agency's inventory records.
- 2. Obtain a list of 27 FY 02 vouchers coded to expenditure sub-object code 2592 from the audit coordinator.
 - a. Perform audit steps 1.a – 1.c, above.
 - b. Request all documents associated with registration transactions (meals, lodging, rental cars and other transportation, etc.). In addition, review documents for the following items:
 - That travel times are consistent with conference dates.
 - That meals provided are consistent with meals reimbursed to the traveler.
 - That local transportation is used, rather than rental cars.
 - Don't question the operational need to attend the conference.
- 3. Document vouchers reviewed – Include the reports of vouchers reviewed in audit workpapers.
- 4. Prepare Audit Findings Worksheets for audit exceptions:
 - Attach copies of all documents (vouchers, invoices, etc.) supporting the audit finding to the Audit Findings Worksheet.

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DELEGATED AUDIT AUTHORITY

- Provide Audit Findings Worksheet and supporting documents to the agency contact.

- 5. Attach all supporting workpapers for steps 1 – 3 above to the Audit Checklist for Delegated Audit Authority.

- 6. File workpapers in audit workpaper file.

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CELLULAR PHONE CHARGES

- 1. Judgmentally select payment vouchers for five cellular phone accounts processed during the most recent monthly period for review.
- Review usage summary pages provided in associated billings to determine whether calling plans meet the agency's ongoing usage needs.
 - Identify instances where the agency is billed for excessive long distance, roaming and home charges.
 - Also, identify instances of no usage.
- On an exception basis, verify on AnyWho, that usage is for official state business.

The name of a business, individual, etc., called can be verified by utilizing **AnyWho** (<http://anywho.com/rl.html>). AnyWho can only verify numbers that are listed in a telephone directory, so calls to/from another cellular phone can not be tested.
- 2. Prepare Audit Findings Worksheets for audit exceptions :
 - Attach copies of all documents (vouchers, invoices, etc.) supporting the audit finding to the Audit Findings Worksheet.
 - Provide Audit Findings Worksheet and supporting documents to the agency contact.
 - Obtain responses to audit findings from agency.
- 3. Document vouchers and phone numbers / accounts reviewed.
- 4. Attach workpapers for previous steps to Audit Checklist for Cellular Phone Charges.
- 5. File workpapers in audit workpaper file.

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LOCAL FUNDS

Planning

- 1. Contact Shirley Gilchrist (Change Funds, Petty Cash Funds and Check Cashing Funds) and Gail Barnhart (Imprest Funds) to identify agency Local Funds that are authorized as of the audit date per Accounts and Reports records.
- 2. Attach a *Fund Verification Form* to the audit notification letter and request that the agency return the form to Accounts and Reports prior to the beginning of audit fieldwork.

Fieldwork

- 1. Prior to the beginning of audit fieldwork, agree Local Fund information that agency provided on the *Fund Verification Form* to Accounts and Reports records. Note: Be aware that Brett Bauer maintains records of amounts agencies have actually established in Imprest Funds.
- 2. On a judgmental basis, review several of the agency's FY 02 Imprest and Petty Cash Fund restoration vouchers for PPM compliance. Special emphasis should be provided to the review of receipt documents and transaction approvals. Document funds and vouchers reviewed.
- 3. On a test basis, count a minimum of one Local Cash Fund (for each type of Local Cash Fund maintained by the agency). If problems are detected, additional testing may be required. Document funds counted and results.
- 4. Verify the location of Local Cash Fund(s) counted. Confirm that the location is consistent with the application on file in Division of Accounts and Reports' files.
- 5. Review usage of Imprest Funds (per bank statements, monthly reconciliations, etc.) in relation to the amount contained in the Fund.
- 6. Prepare Audit Findings Worksheets for audit exceptions:
 - Attach copies of all documents (vouchers, invoices, etc.) supporting the audit finding to the Audit Findings Worksheet.
 - Provide Audit Findings Worksheet and supporting documents to the agency contact.

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LOCAL FUNDS (CONTINUED)

- 7. Document funds and vouchers reviewed.
- 8. Attach workpapers for previous steps to Audit Checklist for Local Funds.
- 9. File workpapers in audit workpaper file.

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AUDIT FIELDWORK – BUSINESS PROCUREMENT CARDS

Audit Planning

- 1. Review the results of the prior year’s review of BPC and determine whether the agency has been provided any special BPC program exemptions.
- 2. Obtain a current list of BPCs issued to agency employees by card type (regular, contract accounts, registration accounts, automotive BPCs, 1099 reportable transactions, crew/group lodging, 1099-reportable services, etc.).
- 3. Obtain a report of recent monthly transactions (dollars and number of transactions) by cardholder.
- 4. Based on steps 1 –3 above, judgmentally select a sample of accounts for review. The sample selected shall include coverage of all agency program parameters, as approved by Department of Administration. All accounts shall be reviewed for smaller programs. Accounts selected for review shall be identified in the Audit Planning Memo.

Audit Fieldwork

- 1. For each BPC account selected for testing in the Audit Planning Memo, review transactions included in the BPC billings for the most recent three-month period, as of the audit fieldwork date. Review a minimum of one month’s transactions for each account selected for review in Planning Step 4, above. Perform the procedures detailed below.
 - a. Verify that all transactions are supported by detailed receipt documents.
 - b. Agree transaction information per receipt documents, BPC logs and monthly statements received from UMB.
 - c. Agree transactions for compliance with the following guidelines:
 - Program requirements (BPC General Procedures document)
 - State accounting and purchasing policies, procedures and statutes
 - d. Satisfy yourself that significant findings, if any, identified during the previous review have been resolved.

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AUDIT FIELDWORK – BUSINESS PROCUREMENT CARDS

- e. If a credit(s) is due to the agency, verify receipt of that credit(s) on a subsequent month's BPC statement.
- f. Determine that capital assets, if any, charged to BPCs were included on the Agency Inventory Capital Outlay Report (DAFR 8460). Trace capital assets to the agency's inventory records.
- g. Determine that 1099 reportable transactions (if any) were properly processed..
 - 1099 reportable transactions should be coded to appropriate 1099 reportable sub-object codes.
 - Verify that the agency reported 1099 reportable transactions to the Accounts and Reports Control Team, when appropriate.
(Coordinate this review with Don Beck.)
- 2. Document BPC accounts reviewed in audit workpapers.
- 3. Prepare Audit Findings Worksheets for audit exceptions:
 - Attach copies of all supporting documents (UMB Bank billing statements, receipts, BPC logs, etc.) supporting the audit finding to the Audit Findings Worksheet.
 - Provide the Audit Finding Worksheets and supporting documents to the agency contact.
- 5. Attach workpapers for previous steps to the Audit Checklist for BPC.
- 6. File workpapers in audit workpaper files.

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CAPITAL ASSETS

Annual Certification of Inventory

- 1. Determine whether the agency submitted annual certification of inventory documents for the previous fiscal year to the Audit Services Team.
 - A log of certifications received can be viewed at the following location:
G:\Acctserv\Audit\Contracts\STAT02 (XLS)

Capital Asset Management

- 2. Obtain a copy of the agency's formal policy to ensure the reasonable safeguarding of capital assets (including those items valued less than \$5,000). (Refer to Filing No. 13,001 of the A&R Policy and Procedure Manual.)
- 3. Verify that the agency has designated a property management officer.
- 4. Review the agency's capital assets policy to ensure that the following items are addressed:
 - Responsibilities of the property management officer
 - Asset ownership criteria, including usage and disposal of assets as defined in Filing No. 13,001 of the A&R Policy and Procedure Manual
 - Requirement for the reporting of stolen assets to employee's supervisor, Property Management Officer and appropriate law enforcement agency
 - Specification that each agency employee has a responsibility to safeguard agency assets regardless of value, including those desirable items such as calculators, cameras, recorders, power tools, office machines, notebook computers, software, weapons, etc.

Physical Verification of Capital Assets

- 3. A physical verification of an agency's capital assets will be conducted on a three-year recurring cycle. If significant problems were found on the previous audit, a follow-up physical inventory will be conducted during the current audit.
- 4. Obtain a current copy of the agency's capital assets listing for items greater than \$5,000.

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AUDIT FIELDWORK – CAPITAL ASSETS

5. Judgmentally select 50 – 60 of the agency’s capital assets, valued \$5,000 or more, for physical verification. Indicate below the method used to select assets for testing:

- Every *Nth* item on the agency’s capital assets listing,
- By asset location (city, building, room, etc.) – Please specify: _____

- By category (electronic items, etc.) – Please specify: _____

- Other – Please specify: _____

6. Determine whether the agency can account for the capital assets selected in step 5 above.

- a. Perform a physical inventory of the agency’s capital assets selected in step 5 above. It is critical that the agency’s inventory person(s) participate in the physical inventory.
- b. Determine whether the agency maintains inventory records in a manner that facilitates the physical verification/accountability of inventory items.
- c. If an item can not be located, determine if a form DA110 or other document was processed for that item prior to the beginning of audit fieldwork.

Also be aware that agencies are not required to immediately write-off capital assets that can not be located. It is advised that agencies note missing items in their capital asset records and not write-off those items for several years unless the agency is certain that the items are no longer at the agency.

- 7. If the agency is not able to account for a capital asset item during audit fieldwork, ask the agency to complete a Verification of Inventory Sample Item Not Observed form and to forward the form to our office once the item has been subsequently located and physically verified.

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AUDIT FIELDWORK – CAPITAL ASSETS

- 8. Also, if time is not available to verify all capital assets selected during audit fieldwork, provide verification forms to the agency and ask that the forms be returned to our office once the agency has physically verified items (within two weeks of the end of audit fieldwork).
- 9. Document capital assets reviewed in the audit workpapers. Note the status of each item in the workpapers (e.g., verified, missing, DA110 previously processed, agency following-up, etc.)

Verification that Newly Purchased Assets Are Recorded in Capital Asset Records

- 10. Obtain the agency's DAFR 8460 (Monthly Capital Asset Expenditure Report) for a recent month and verify that the agency is recording all new purchases of capital assets in the agency's capital assets listing. Document testing performed and results.

General

- 11. Summarize all exceptions and provide that summary document and supporting photocopies of audit worksheets to the agency contact.
- 12. Attach workpapers for previous steps to the Audit Checklist for Capital Assets.
- 13. File workpapers in audit workpaper files.

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COMMUTING USE OF STATE OWNED VEHICLES

Audit Planning

- 1. A review of the commuting use of state owned vehicles will only be performed at selected agencies.
- 2. Obtain the most current report of Central Motor Pool Vehicles permanently assigned to individual agencies (Job 01681) prepared by Division of Facilities Management.
- 3. Obtain the Statewide Vehicle Registration Inventory report prepared by Central Motor Pool). This report lists both agency owned and Central Motor Pool owned vehicles.
- 4. Obtain the most current Request For Exemption From the 10-Mile Limitation on State-Owned Or Leased Vehicles report prepared by the Division of Facilities Management Fiscal Office. This report lists agency employees who have been approved to exceed the state's one-way 10 mile commuting limit for state vehicles (KAR 1-17-2A).

Sample Selection

- 1. Judgmentally select five vehicles/employees for testing:
 - a. Select a cross section of agency staff and vehicles.
 - b. Do not select vehicles for which commuting fringe benefit income reporting requirements will obviously not apply (for example, trailers, heavy trucks, buses, etc.).
 - c. Give emphasis to newer vehicles.
 - d. Include several of the agency's employees (if any) who have been approved by Department of Administration to exceed the state's 10-mile one-way commuting limit.
- 2. Request Daily Travel Logs for the most recent 6-month period available for the vehicles selected in Step 1, above.

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COMMUTING USE OF STATE OWNED VEHICLES (CONTINUED)

- 3. Review Daily Travel Logs to identify employees who commute in state-owned vehicles.
- 4. If the employee commuted in a state owned vehicle, determine whether the employee's purpose for commuting was appropriate per Informational Circular 02-P-042.
- 5. If the employee commuted more than ten miles one-way in a state owned vehicle, determine whether Department of Administration approval was obtained for the commute. (KAR-1-17-2A)
- 6. Document exceptions on Audit Findings Worksheets. Attach copies of all documents supporting audit finding to the Audit Finding Worksheet.
- 7. Provide the Audit Finding Worksheets and supporting documents to the agency contact.
- 8. Attach workpapers for previous steps to the Audit Checklist for Commuting Use of State-Owned Vehicles.
- 9. File workpapers in audit workpaper files

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CLOSING CONFERENCE

Date: _____

- 1. Provide an overall summary of audit findings and allow agency management an additional opportunity to clarify their responses to specific audit findings.

If there are a large number of audit findings, it is important that agency management understands that the number of findings will be of concern to the management of Accounts and Reports, even if the significance of individual findings is not considered to be serious.

- 2. Note whether additional follow-up is to be performed by either the agency or yourself on specific issues/concerns. (A teleconference may be scheduled at a later date to discuss audit findings/procedures not resolved at the time of the closing conference.)

- 3. Document management's specific comments.

- 4. Inform management that a draft letter of audit findings will be provided for their review, prior to issuance of a final letter.

- The letter of audit findings will be addressed to the agency's chief financial officer. (The cover letter accompanying the draft will be signed by Jerry Serk.)
- The agency will be asked to provide its written comments regarding the draft to Audit Services within two weeks of the date of the cover letter.
- A copy of the final letter of audit findings will be forwarded to Legislative Division of Post Audit along with the agency's written comments.

- 5. Document individuals who attended the closing conference.

- 6. File closing conference notes in audit workpaper files.