

**Audit Program For County Clerks
For the Year Ended December 31, ____**

Important item- Please review
Updated information

**1st Time
1st Quality**

AUDIT GOALS

This is to be a financial and compliance audit of the transactions, books, and accounts of the County Court Clerk of County, Kentucky. This audit is to be conducted pursuant to KRS 43.070, which mandates the Auditor of Public Accounts (APA) to "...audit annually the books, accounts, and papers of all county clerks and sheriffs." The audit shall be conducted in accordance with Auditing Standards Generally Accepted in the United States of America, Governmental Auditing Standards Generally Accepted in the United States of America, and the APA Audit Program for County Fee Officials.

SCOPE OF THE AUDIT

The audit will examine the financial records of the County Clerk for the year ended **December 31, ____** and the use of such auditing procedure. It will consist of such tests of the accounting records as we consider necessary in the circumstances. Follow-up work will be performed through the end of fieldwork.

OVERALL AUDIT OBJECTIVES

- The overall audit objectives are general in nature and are not necessarily related to specific financial statement assertions.
- A. The audit has been properly planned.
 - B. Consideration has been given to the audit and reporting requirements of funding sources, including the need for a Single Audit.
 - C. Schedules prepared by government personnel for audit use are clerically accurate.
 - D. The governmental unit's accounting records are clerically accurate.
 - E. The annual operating budget, if any, and amendments thereto, are properly prepared, documented, and approved. There has been a search for and evaluation of (1) commitments and contingencies, including requests from legal counsel, (2) subsequent events, and (3) related party transactions; and these matters are adequately disclosed or recorded in the financial statements, if appropriate.
 - F. Written representations have been obtained from responsible officials and administrators.
 - G. Results of audit procedures, including findings and questioned costs, have been evaluated.
 - H. Financial statements and schedules are presented in accordance with the regulatory basis of accounting.
 - I. The effect on the auditor's report of scope limitations, other auditors, or other matters has been evaluated.
 - J. Matters noted during the audit, including findings and questioned costs and reportable conditions in internal control, have been communicated to the appropriate parties.
 - K. Staff assistants have been properly supervised. Audit documentation and the resulting financial statements and schedules have been reviewed in accordance with APA policies.
 - L. Quality control procedures for independence, integrity, and objectivity, client and engagement acceptance and continuation, personnel management, and engagement performance have been followed.

IDENTIFICATION CODES

The letters preceding each of the above audit objectives (e.g., A, B, etc.) serve as identification codes. These codes are presented below the audit steps, when a procedure addresses an objective.

AUDIT OBJECTIVES FOR ENGAGEMENT PLANNING AND SUPERVISION

- A. Proper communication has been made between the County Clerk and APA audit staff including communicating the engagement reporting objectives.
- B. APA audit staff has complied with independence standard outlined in Government Auditing Standards.
- C. Required preliminary procedures and evaluation of audit risk has been documented (including internal control evaluation)**
- D. Consideration has been given the internal audit function, if applicable.
- E. Materiality has been established.
- F. APA audit staff have gained a sufficient understanding of the County Clerk's operations and accounting and financial reporting functions.
- G. Consideration has been given to related parties and transactions.
- H. Analytical procedures have been properly planned.
- I. Adequate understanding of internal control over financial reporting has been gained by APA audit staff.
- J. Financial statement misstatement has been established.
- K. Financial statement compliance requirements have been outlined.
- L. Identification of supplementary information has been made.
- M. Audit approach has been identified.
- N Other matters, such as auditee communication, access to audit documentation, etc.

ENGAGEMENT PLANNING AND SUPERVISION

- 1. Engagement Letter.** Contact audit manager two weeks in advance of the beginning of the audit engagement to request the

| Initial/Date | Reference |
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engagement letter be sent to the auditee. Auditor should obtain the engagement letter from official and have it signed at the entrance conference. After scanning the engagement letter, it can be returned to the official. If the official can't provide the engagement letter, contact Lorrie Hawkins, or your audit manager for a copy. (A)

1A. Review the engagement letter to determine that the period and official are correct. **If the official is deceased**, please contact your manager. Since the management representation letter will not be signed by the official under audit, we will be issuing a **disclaimer of opinion due to the lack of a signed representation letter**. Your manager and QAC will provide guidance on the amount of work to be performed. (Document on entrance conference question 30)

1B. Document auditor's consideration of issues that may affect client acceptance and the results of the consideration process. **Determine whether there are any reasons why we should reevaluate whether to do this audit now or wait.** Reasons could be litigation status or investigations by law enforcement agencies. (A)

2 **Independence.** All engagement team members must be independent from the auditee. Consider your independence for this engagement. If you identify any impairments to independence, notify your AIC and AM immediately. Professional standards require us to evaluate threats and apply safeguards to reduce the threat to an acceptable level. (GAS para 3.27 and 3.32) Auditors should sign an APA independence statement annually, which is maintained electronically on the server. If you have not completed and signed an independence statement, or need to update it with new information, please file a copy with the audit documentation and email it to Quality Assurance at APA.QualityAssurance@ky.gov. (B)

3. Complete the consideration of independence issues workpaper. (B)
Consult with auditor in charge concerning any questions about your independence.

4. **Competence.** For audits to be performed in accordance with *Generally Accepted Government Auditing Standards*, **the audit organization's management must assign auditors who before beginning work on the engagement possess the competence needed for their assigned roles. (GAS 4.03) The audit organization's management must assign auditors to conduct the engagement who before beginning work on the engagement collectively possess the competence needed to address the engagement objectives and perform their work in accordance with GAGAS (GAS 4.02)**

Audit experience has been considered by the Audit Manager before auditors were assigned to this engagement. The Audit Manager has determined that staff assigned have the appropriate competence and capabilities, and relevant resources to plan and perform the engagement. AICs & reviewers are also assigned only after consideration of their level of skill and proficiency on this type of engagement. If you are concerned about the competency of either the staff assigned or reviewer assigned, please note here and contact the Audit Manager immediately.
Audit manager will re-assess if additional issues regarding the material misstatement due to fraud become known or staffing changes are necessary.

NOTE: Review APA Policy folder for policies applicable to County Clerk Audits.

5. **Entrance Conference.** Hold and document entrance conference. Discuss information in the Engagement Letter, including the type, scope, and timing of the audit including as well as the items outlined in the Engagement Letter with responsible officials or staff and, if applicable, the audit committee of the governing body. Also, discuss adequacy of working space for the audit team, access to client records, and assistance, if any, to be furnished by the client. Obtain a signed copy of the engagement letter and document your discussion with the official. Go over each item in the Entrance Conference Document.

If County Clerk has bank accounts that are not reflected in the audit, discuss with Manager as to how to proceed. These are accounts other than usage, fish & game, libraries and archives, payroll.

- a. Discuss nonaudit services with management. Develop the **Nonaudit Services Planning Document** with relevant information. If circumstances change during fieldwork and additional nonaudit services are determined to be necessary, update this form with all pertinent information for those services. Provide a completed copy of the document to management.
- b. Request the client submit a list of depositories and their addresses, including account numbers, account names at each depository and depository contact person.

6. **Prior Year Documents.** Review prior year audit documentation and prior year audit report. Document the significant items that will be helpful in the current audit. Identify all risks of magnitude which are highly likely and summarize on Risk Assessment at Summary at A-23 [C]
Be sure to document follow-up of prior year comments at the end of the audit.

The auditor should read the most recent financial statements and the predecessor auditor's report thereon, if any, for information pertinent to opening balances, disclosures, and consistency in the application of accounting policies.

- Suggested areas to review are: (C,L,E)
- a. Internal Control Questionnaire.
 - b. Any adjusting and reclassification entries.
 - c. The prior year review notes.
 - d. The exit conference and audit report presentation.
 - e. The governmental audit planning form.
 - f. Recommendations to future auditors.

Include a copy of the prior year audit report, the prior year exit, and the MVR exit conference.

| Initial/Date | Reference |
|--------------|--|
| | A-01 |
| | A-01a |
| | Auditor Independence statement on file on the APA server A-29 |
| | A-02 A-01 |
| | A-29a |
| | A-03 |
| | A-05 |

OR

a. Inquire of the predecessor auditor (audit completed by outside CPA in prior year) regarding matters that you believe will assist you in completing the current audit. (AU-C section 510.07) **Obtain signature from County Clerk on Auditor Inquiry Letter to (1) allow a review of the predecessor auditor's audit documentation, and (2) respond fully to inquiries made by the auditor.**

b. Review the predecessor auditor's audit documentation.

If there has been a change in auditor from the prior audit, discuss audit with preceding AIC or CPA firm. [AU-C 510] (A)

NOTE: If review of prior year documentation at a CPA firm will require extensive travel (over 75 miles one way), consult with audit manager first. Another auditor may be assigned to do the review for you. If the prior year audit is not available contact your manager.

c. **New Audit or ReAudit - Complete required procedures on opening balances if the APA did not complete the audit in the prior year or an AUP was performed. (A)**

AU-C Section 510 requires the auditor to read the most recent financial statements and the predecessor auditor's report thereon, if any, for information pertinent to opening balances, disclosures, and consistency in the application of accounting policies. In addition, if the prior-period financial statements were audited by a predecessor auditor, the auditor should request management to authorize the predecessor auditor to (1) allow a review of the predecessor auditor's audit documentation, and (2) respond fully to inquiries made by the auditor.

Inconsistent application of accounting policies. If the auditor concludes that the current period's accounting policies are not consistently applied regarding opening balances, the auditor should express a qualified opinion or an adverse opinion, as appropriate, on the financial statements

Inappropriate change in accounting policies. If the auditor concludes that a change in accounting policies is not properly accounted for, presented, or disclosed, the auditor should express a qualified opinion or an adverse opinion, as appropriate, on the financial statements.

7. **Single Audit.** Determine whether a Single Audit will be performed. Federal expenditures of \$750,000 or more will require you to perform a single audit in accordance with Uniform Guidance. (K,L) If Single Audit is required, make sure that the engagement letter addresses Single Audit. If not, contact your manager to have another engagement letter signed to the official to sign.

Note: If the official had federal expenditures, they should have a SEFA completed.

Most will not require a single audit. The primary objective is to see if a SEFA was completed.

IF THE OFFICIAL HAD FEDERAL EXPENDITURES BUT DID NOT PREPARE A SEFA, YOU WILL AT LEAST HAVE A VERBAL FINDING. A verbal finding is also necessary if the SEFA is materially incorrect, but a single audit is not required. **If a single audit is required, use the SEFA adjustment form from the fiscal court binder.**

Please review the guidance items pertaining to federal awards in the Reference Materials!

7b. **Single Audit.** If a Single Audit is required, complete, as part of the engagement planning, the Single Audit Planning forms (pull from Fiscal Court binder template). (L)
(Copy B-07a and use for single audit for documentation of SEFA presentation in the audit report.)

8. **Specialists & others.** Determine the extent of involvement, if any, of other auditors, specialists, or internal auditors. [C]

a) If our firm is the principal auditor and another audit firm is involved as the other auditor, inquire about its independence and professional reputation. (See the "Request for Representations from Other Auditor" in ARM If the other auditor has made an inquiry of our firm, see the "Principal Auditor's Response to Inquiries from Other Auditor" in ARM.

b) If the work of a specialist will be used during the engagement, determine that it is used in accordance with the requirements of AU-C 620, *Using the Work of a Specialist*.

If a specialist is needed for this engagement, we must document specific information required by professional standards.

Please complete A-10a (auditor retained specialist) or A-10b (management retained specialist) as needed.

If information used as audit evidence was prepared using the work of a specialist with expertise in a field other than accounting and auditing (a management's specialist), contact audit manager and QA for appropriate forms-AUD 603 or AUD-604. (AU-C 620.07)

c) If the work of internal auditors will be used in the engagement, determine that it is used in accordance with the requirements of AU-C 610 *Using the Work of Internal Auditor's* Document this on the Planning Memo. (C)

d) Inquire of management if they have a service organization (AU-C 402) and if so whether the service organization has reported to the user entity any fraud, noncompliance with laws and regulations, or uncorrected misstatements. If so, the user auditor is required to evaluate how such matters affect the nature, timing, and extent of the user auditor's further audit procedures. One way a user auditor may obtain evidence about the quality and accuracy of the data provided to a user entity by a service organization is to obtain a service auditor's report on controls at the service organization that affect data provided to the user entities and incorporated in the user entities' financial statements.

The user auditor should determine whether he or she has obtained a sufficient understanding of the nature and significance of the services provided by the service organization and their effect on the user entity's internal control relevant to the audit to provide a basis for the identification and assessment of the risks of material misstatement. **The user entity may have sufficient controls over the information processed**

| Initial/Date | Reference |
|--------------|-------------------------|
| | A-06, A-06a |
| | A-04 |
| | A-04a |
| | A-09 |
| | S series |
| | A-10a, A-10b or N/A |
| | A-10c or N/A |
| | A-11 A-11a or N/A |

| | Initial/Date | Reference |
|---|--------------|------------|
| <p>by the service organization. This is typically the case in most small business audits in which the entity uses a payroll processing service. However, if the user auditor is unable to obtain a sufficient understanding at the user entity, the user auditor should obtain that understanding from one or more of the following sources:</p> <ul style="list-style-type: none"> • Obtain and read a copy of one of the following types of service auditor’s report on the service organization’s control system, if available: <ul style="list-style-type: none"> — Type 1 report. Report on management’s description of a service organization’s system and the suitability of the design of controls. — Type 2 report. Report on management’s description of a service organization’s system and the suitability of the design and operating effectiveness of controls <p>Please see AU-C 402 and talk to your manager if you have further questions or issues, in regard to service organizations. (E, F, H)</p> | | |
| <p>If the governmental unit uses a service organization to hold or maintain accountability for assets, execute transactions, or maintain records on the unit's behalf, consider the significance of the service organization's internal control to plan the audit. If it is necessary to obtain a service auditor's report on relevant aspects of the service organization's controls, apply additional procedures related to use of service organizations. (E, F, H)</p> | | A-11 |
| <p>9. Fiscal Court Order Review. Review fiscal court orders for salary limitations, approved budgets and amendments, fee pooling ordinances, approved equipment purchases, related party transactions, significant unusual transactions, and any other significant matters. (E, F, C)</p> | | A-07 |
| <p>Obtain a copy of the approved budget and amendments to include in the audit documentation. (E, F)</p> | | A-25, A-26 |
| <p><i>Budget to actual comparison can be performed on the 4th Quarter Report or on Z-04c but should compare budget to financial statement expenditures after all adjustments have been made and should include payroll.</i></p> | | Z-04c |
| <p><i>Receipts can be omitted unless being used as an analytical comparison.</i></p> | | |
| <p>Obtain a copy of the Annual Order Setting Maximum Amount For Deputies And Assistants (Under 70k's).</p> | | G-03a |
| <p>Obtain a copy of the General Term Order (Over 70k's).</p> | | G-03a |
| <p>Obtain a copy of the fee pooling ordinance, if applicable. Obtain a copy of an amendments to the fee pooling ordinance.</p> | | A-07a |
| <p><i>Some fiscal courts have amended the ordinance to allow the County Clerk to pay for some miscellaneous items other than refunds. If this has occurred, with documentation, a change is needed to F/S Note 1.d in the audit report. If the County Clerk's financial statement includes disbursements other than payments to districts and refunds, we would expect the ordinance has been modified, or the auditor should include an exit conference comment and exit with Judge. Consult with manager as to whether or not to include in report. If ordinance allows for other disbursements, the official should properly budget for these items.</i></p> | | |
| <p>10. 4th Quarter Report. Obtain a copy of Clerk's fourth quarter financial report. This is the starting point for B-01 and B-02.</p> | | A-12 |
| <p>a) Recap summary of 4th quarter on recap of receipts and disbursements ledgers. Compare totals per receipts and disbursements ledgers to the fourth quarter financial report. Document your comparison.</p> | | A-12a |
| <p><i>(Note: Quarterly #s on A-12a are linked to ledgers at B-01 & B-02)</i></p> | | |
| <p>Delinquent tax and other refunds now are shown above operating disbursement since these are mandatory payments. Please identify what debt service and interest paid is for since this affects allowability.</p> | | B-01, B-02 |
| <p>NOTE: Make sure to include a comment in the exit conference if the official is not preparing the correct quarterly financial report or if they are not submitting in a timely manner. (All fee related accounts should be included on the front page of the 4th quarter f/s. If not you should have a verbal exit comment)</p> | | A-12 |
| <p>b) Inquire from Audit Manager if there are any delinquent letters from DLG. If yes- add to A-12 series <i>(Note: DLG is sending letters notifying officials if they are delinquent. Refer to APA policy #48.)</i></p> | | |
| <p>If the fourth quarter financial report is not accurate or complete, recap the receipts and disbursements ledgers (foot and cross-foot these ledgers) or obtain summary reports. Include a comment in the exit conference if the fourth quarter financial report is not accurate or not complete.</p> | | B-01 |
| <p>Do not recap the receipts and disbursements ledgers unless it is absolutely necessary.</p> | | B-02 |
| <p>11. Settlement. Obtain a copy of the County Clerk's annual settlement of excess fees.</p> | | A-13 |
| <p>Settlement should be provided to fiscal court by March 15 (KRS 64.152). (N/A for over 70k counties)</p> | | |
| <p>a) Compare the County Clerk's annual settlement of excess fees to the fourth quarter financial report. Include a comment in the exit conference if annual settlement does not materially agree to the fourth quarter financial report.</p> | | |
| <p><i>(Note: Quarterly #s on A-13a are linked to ledgers at B-01 & B-02)</i></p> | | A-13a |
| <p>12. Official's Policy and Procedures Manual. Obtain a copy of the County Clerk's P&P Manual</p> | | A-14 |
| <p>13. MVR Work. Obtain information from the MVR audit. This audit includes testing and conclusions on motor vehicle licenses, Usage and Tangible (Ad valorem) Tax. (L)</p> | | Section C |
| <p>Make sure to review MVR exit conference and include internal control findings which are significant deficiencies and/or material weaknesses in fee exit and audit report.</p> | | C-00 |

This information also contains the MVR risk assessment to be included with the Risk Assessment Summary at A-23.
File MVR Risk Assessment at A-23a.

- 14. Materiality.** Complete the financial statement materiality worksheet. List the accounts that equal or exceed planning materiality. Based upon this evaluation, these receipts and disbursement accounts should be tested during the audit engagement. Use auditor judgment to determine if additional non-material accounts should be tested based on fraud risk or identified risk factors or other information. Consult with audit manager if unsure. (AU-C Section 320)

In performing the audit, the auditor is concerned with matters that, either individually or in the aggregate, could be material to the financial statements. The objective of the auditor is to evaluate the effect of

- a. identified misstatements on the audit and
- b. uncorrected misstatements, if any, on the financial statements (AU-C 450.03)

Section AU-C 500, Audit Evidence, says the auditor is not free to collect unlimited amounts of evidence, as he or she must work within economic limits. However, cost cannot be the sole basis for the quantity or quality of audit procedures, and the difficulty and expense of a test is not a valid reason for omitting it. (D, I)

- 15. Preliminary Analytics.** Perform preliminary analytical procedures and determine the effect on the nature, timing, and extent of other auditing procedures.

Document (a) the expectation and factors considered in its development, if not obvious, (b) results of comparisons of the expectation to recorded amounts, and c) conclude as to whether any additional auditing procedures will be performed in response to significant unexpected differences.

Identify all risks of magnitude which are highly likely and summarize on Risk Assessment Summary at A-23.

Analytical review is located at B-00.

If the PY was an AUP- use the PY fourth quarter financial statement in place of PY audited numbers.

NOTE: Guidance for full-year to part-year comparison options is included on A-17

- a) Compare the prior year amount to the current year recap of the receipts and disbursements ledgers for reasonableness.
- b) Identify unusual or unexpected balances and relationships.
- c) Consider whether matters identified indicate a higher risk of material misstatement.
- d) Consider specific risks identified in preparing audit work programs (G)

Perform Clerk's Commission analytical review for the following accounts:

NOTE: Clerk Fee Analytical review is located at B-00.

- a) Does gross motor vehicle license and transfer receipts less County Clerk's commission compare reasonably to motor vehicle license payment to the State?
- b) Does gross motor vehicle usage tax receipts less County Clerk's commission compare reasonably to motor vehicle usage tax payments to State?
(Do this by calculating 97% of receipts).
- c) Does gross tangible property tax receipts less the County Clerk's commission compare reasonably to tangible property tax payments to the State, County, and Special Taxing Districts. (do this by calculating 96% of tangible tax collections).
- d) Does gross deed transfer tax receipts less the County Clerk's commission compare reasonably to deed transfer tax payments to the county (95% of receipts).

Practical Considerations:

- No specific types of analytical procedures must always be used.
 - Generally, a comparison of current account balances to financial statement line items for the preceding period and the current budget is sufficient for planning purposes.
 - If financial statements are unavailable, the receipts and disbursements ledgers may be compared to prior period amounts.
 - If the number and significance of expected audit adjustments make a comparison meaningless, document that judgment and apply analytical procedures to the adjusted financial statement amounts.
- Activity ratios and ratios of financial to nonfinancial information (e.g. number) of personnel in relation to payroll costs) may also improve the auditor's understanding of the governmental unit and its operations.

16. Overview of Risk Assessment Process

Section (AU-C 315.01) addresses the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements through understanding the entity and its environment, including the entity's internal control. The objective of the auditor is to identify and assess the risks of material misstatement, whether due to fraud or error, at the financial statement and relevant assertion levels, including the entity's internal controls, thereby providing a basis for designing and implementing responses to the assessed risks of material misstatement. (AU-C 315.3)

- a) **Gain an Understanding of the Entity and it's Environment**

Obtain an understanding of the County Clerk's office and environment and its audit risk factors (including the risk of material misstatement due to fraud) by completing or updating the Understanding the entity Form and the attached Documentation Table. (AU-C 315) **Bring forward the Understanding the Entity Form

| Initial/Date | Reference |
|--------------|---------------------|
| | A-23a |
| | A-16 A-16a |
| | |
| | A-17 (See B-00) |
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| | A-17a (See B-00) |
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| | N/A |
| | |
| | A-19 A-19a |

from the MVR audit and update for non-MVR areas.

b) Document Internal Controls

Complete the coversheet to the internal control questionnaire to aid in completing the ICQ. Copy Internal Control Questionnaire over from MVR audit. Review to obtain an understanding of internal controls relevant to the audit. For any audit area with a different internal control process (i.e. payroll, delinquent taxes, etc.) or area not already evaluated on the MVR ICQ, complete the Internal Control Questionnaire (or prepare narratives on internal control to document your understanding and evaluation of the design and implementation of the clerk's internal control system).

- a) If certain controls are found to be deficient upon completion of the documentation and evaluation of internal controls, determine the need for an internal control finding. For example, several controls with serious weaknesses may lead you to a segregation of duties internal control finding. Document these on RCW/RNI Finding forms at A-50.
- b) Assess control risk for each significant audit area.
- c) Review Examples of Control Deficiencies document at Z-23.

Note 1: Consideration should be given to all components of the internal control system to understand the design of controls relevant to the audit and to understand controls sufficient to plan the audit. This understanding should be obtained by inspection of documents or records, observation of processes, activities and operations, or transaction reviews. Inquiry alone is not sufficient.

Note 2: Compensating controls that will be relied on to either mitigate the risk of segregation of duties or other internal control deficiency, must be documented and tested, and the results of the tests included in the audit documentation. If compensating controls are not tested, they cannot be relied upon to reduce the impact of the internal control deficiency.

It should be noted that risk assessment procedures by themselves do not provide sufficient appropriate audit evidence on which to base an audit opinion. Therefore, further audit procedures are necessary in all audits, regardless of the risk assessment. (AU-C 315).

Also, the assessment of risk of material misstatement should be performed at the overall financial statement level and at the assertion level (AU-C 315).

- c) **IT Questionnaire.** Copy the IT System Documentation and Internal Controls form over from the MVR audit. Review to obtain an understanding of the information technology controls related to the audit. For any systems not discussed, complete information technology questionnaire. AU-C 315.19 requires the auditor to obtain an understanding of the information technology controls and their significance in relation to the audit of the financial statements, and then determine the need for an information technology specialist. (I,C)
- d) **IT Risk.** Complete documentation for each significant internal control area if control risk is set at maximum and assertions are significantly dependent upon computerized information systems. (I,C)
- e) **If a data breach was identified in the entrance conference, include a copy of the official's data breach policy and contact your audit manager for further instruction.**
- f) **Fraud Risk Assessment.** Obtain an understanding of the governmental unit, its internal control, and its audit risk factors (including the risk of material misstatement due to fraud) by completing Fraud Risk Assessment Form. Use Fraud Interview Outline to document interviews. If information concerning a possible non-compliance with laws & regulations [AU-C 250], or fraud [AU-C 240] came to the auditor's attention during the performance of this audit, as well as the identification of any fraud risk factors, discuss with the Audit Manager. The AIC should then obtain an understanding of the nature of the act, the circumstances in which it occurred and sufficient other information to evaluate the effect on the financial statements. Identify all risks of magnitude, which are likely and **summarize on Risk Assessment Summary at <A-23>.** (C,F)
Determine if there is a need for a staffing change due to fraud risks noted. Contact your audit manager for guidance.
- g) **Qualifications Checklist.** Review the Qualifications Checklist at Z-22 to familiarize yourself with the issues to look for during the course of the audit. The checklist should be completed after testing. (F)
- h) Review the list of possible internal control deficiencies listed in **Examples of Internal Control Deficiencies** to familiarize yourself with the issues to look for during the course of the audit. (C,I)
- i) Review **Inherent Risk Factors Form.** Inherent risk is the susceptibility of an assertion about a class of transactions, account balance,

| Initial/Date | Reference |
|--------------|------------------------------------|
| | A-18 A-18a A-18b A-18c |
| | A-18d |
| | A-23 |
| | A-02 A-02a |
| | A-21 A-21a A-23 A-23b |
| | Z-22 |
| | Z-23 |
| | A-22/A-23 |

or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls. (C, I) Inherent risk will be documented on A-23.

| Initial/Date | Reference |
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| | A-20 |

17. Brainstorming (Team Discussions).

(AU-C 315.A22) Hold brainstorming fraud and risk discussion. Identify all risks of magnitude which are highly likely and summarize on Risk Assessment Summary at A-13, and Fraud Risk Assessment at A-23 . AU-C Section 240 indicates that this discussion should include an exchange of ideas or brainstorming about (1) how and where the entity’s financial statements might be susceptible to material misstatement due to fraud, (2) how management could perpetrate and conceal fraudulent financial reporting, and (3) how assets of the entity could be misappropriated. This discussion should set aside beliefs about the honesty and integrity of the entity’s management and those charged with governance. [C]

Document follow-up meeting at completion of fieldwork

18. Inquire of Audit Manager for any hotline tips and/or allegations to consider for risk assessment. Test accordingly. [C]

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| | A-20a |
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19. Complete Risk Assessment Summary and Test Plan. (C,F,I)

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| | A-23 |
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20. Audit Planning Memo. Use the information developed concerning materiality levels, the internal control and the related assessments of control risk, the results of analytical procedures, and the evaluation of other factors impacting audit risk to plan the following and document in memo form: (M)

- a) The extent of supervision and staffing requirements.
- b) The overall strategy for the conduct and scope of the audit.
- c) The nature, timing and extent of substantive tests.
- d) Overall evaluation of audit risk.
- e) Document conclusions in the planning document and revise time budget, if necessary.

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| | A-24 |
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21. Tests of Controls. If you have decided to test internal controls, complete appropriate forms. Test of internal controls must be completed to support **control risk set below maximum**. If control risk is set below maximum and is supported through internal control testing, you may be able to reduce your substantive tests. (C,I)

Note: Tests of controls are required in the following instance: If substantive procedures alone are not effective to reduce risk to an acceptably low level, typically in highly automated processing environments in which a significant amount of information is initiated, authorized, recorded, processed, or reported electronically.

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| | E-01 F-01 G-01 |
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22. Substantive Tests. To plan substantive tests to be performed once control risk is assessed and/or internal controls are tested, complete appropriate forms. Percentage of coverage is documented at Z-11. (C,I,M) **Note: Included in B-00.**

While designing substantive testing, incorporate an element of unpredictability to address the risk of management override of controls.

See A-23 Financial Statement level risks for guidance.

For any test where we say "select XX judgmentally" document any change from the stated amount and why you felt that was appropriate or necessary.

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| | Z-11 |
| | (See B-00) |

Steps for Planning The Extent of Substantive Tests of Disbursements:

- a) Assess the appropriate level of tolerable misstatement (as a rule of thumb, use 90% of performance materiality). This is stated on the materiality worksheet. ALL accounts above materiality should be tested (list material accounts on materiality worksheet at A-16 and where tested).
- b) Determine an amount for individually significant dollar item. Any amount less than tolerable misstatement may be used (General rule is 1/3 of performance materiality).
- c) Identify unusual items. Identification of additional items to be tested 100%.
- d) Calculate remaining balance and percent of coverage after selecting individually significant items. If you have enough coverage, scan expenditures and judgmentally select 10 operating disbursements to test. If sampling is necessary, see E-04. (See revenue and expenditures section step 15 for test)

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| | A-16 |
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23. Time Budget. In-charge auditor will prepare time budget based upon the hours set by manager. If a budget amendment is necessary, the auditor should submit this to the audit manager before the original budget hours are exceeded. The approved request should be placed in the audit documentation.

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| | Z-11 |
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24. Legal Rep Letter. Obtain a legal representation letter from the County Attorney. The County Clerk must sign the legal representation letter request. If you cannot obtain a legal representation letter, contact your manager for guidance. Prepare a conclusion based on the County Attorney's response. (N) (AU-C Section 501)

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| | Z-17a |
| | Z-10 |

Legal representation letter should be obtained prior to or on end of fieldwork date. If the legal representation letter is dated more than two weeks before the end of fieldwork date, auditor should follow up to determine if any changes have occurred since the response was received.

25. **Related Parties.** Perform review of Related Party Transactions. (H)

26. **Disclosures.** Complete the disclosures workpaper to document disclosures determined to be significant in this audit. This document should be updated periodically during the audit as additional disclosures are determined to be necessary. Review the document during completion to ensure all disclosures have been included in the Note Disclosure section of the audit report document. AU-C Section 330 (K)

27. **Other Funds.** Determine if the official maintains any trust funds or other funds not subject to be turned over as excess fees and ensure that sufficient audit procedures are completed for these funds. Examples of trust funds are: HRA/FSA accounts; Bank accounts held by the official to administer a specific activity, i.e. a scholarship, grants. Audit procedures could include: Perform a bank trace and/or proof of cash; Test checks to ensure appropriate disbursements; Gather information necessary for note disclosure. (This list is not all-inclusive) Auditor should base procedures on risk assessment and materiality of the funds. AU-C Section 330 (C,F,M,N)

28. **COVID-19.** Will the majority of substantive testing be performed on-site? [C]

Yes _____ No _____

If "no", complete audit documentation regarding COVID-19 at A-23.c. If "yes", delete the COVID-19 folder at A-23.c.

NOTE: In order to answer "yes", the majority of testing MUST be performed at the audit site. If records are picked up from the official and testing is performed off-site, auditor must complete COVID-19 audit documentation.

29. **Significant Issues.** If you discuss significant audit or reporting issues with the auditor in-charge or audit manager, document these discussions in the audit documentation. (L)

If conditions are found that could lead to an opinion modification, notify AM immediately to determine amount of testing.

| Initial/Date | Reference |
|--------------|-----------------|
| | |
| | A-27 |
| | A-28 |
| | A-28a |
| | A-23.c |
| | N/A or A-00a |

AUDIT EVIDENCE

1. Review Audit Evidence Memo at A-30.

- A. The auditor should evaluate information to be used as audit evidence by taking into account
 - 1. the relevance and reliability of the information, including its source, and
 - 2. whether such information corroborates or contradicts assertions in the financial statements.
- B. The auditor's evaluation of the information to be used as audit evidence in accordance with the preceding paragraph should include
 - 1. evaluating whether the information is sufficiently precise and detailed for the auditor's purposes and
 - 2. obtaining audit evidence about the accuracy and completeness of the information, as necessary

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| | A-30 |
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CONCLUSION

We have performed procedures sufficient to achieve the audit planning objectives, and the results of these procedures are adequately presented in the accompanying audit documentation. If you are unable to conclude that the audit has been properly planned and the office's quality control procedures have been followed, prepare a memo documenting your reasons.

Complete a Finding Form for any findings to be included in the exit conference. Use as many forms as necessary to compile findings.

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| | A-50 |
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CASH

Audit Objectives:

(A-F establish links from assertions)

- A. Existence or Occurrence: Cash as reflected in the financial statements (deficit statement) is on hand, in transit, or on deposit with third parties (depositories/ other governmental agencies) in the name of the County Clerk.
- B. Rights and Obligations: Conditions or agreements that limit the County Clerk's rights to or obligations concerning cash are properly reflected in the financial statements.
- C. Completeness: All Cash of the County Clerk's office is included in the financial statements (deficit statement) and related disclosures are included.
- D. Valuation or Allocation: Cash balances per County Clerk's financial records reflect a proper cutoff of receipts and disbursements

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| | N/A |
| | N/A |
| | N/A |
| | N/A |

- c) Determine if deposits are made intact. (F, E)
- d) Obtain or prepare a list of outstanding checks. Confirm that outstanding checks cleared the bank in subsequent months. (F, E)
- e) Obtain or prepare a list of obligations paid after year-end. Confirm that these checks cleared the bank in subsequent months. (F, E)
- f) Prepare a list of unpaid obligations at year-end for deficit statement if necessary. (F, E)
- g) Obtain list of receivables at year-end. Confirm that receivables were collected and deposited into the bank. (H) **If receivables are material, consider testing. If receivables are mostly accounts receivable and not routine receivables, further testing may be necessary. See Test of Daily Receipts section - Step 1h. See F-14 and F-15 for review and test of accounts receivable.**
- h) Document and explain any material reconciling items in the proof of cash not covered above. (overpayments) (F)
- i) Determine the status of any uncollected returned checks (NSF checks).
**Verify amounts were redeposited followed up on or turned over to the County Attorney at year-end.
 Verify pay in vouchers were shorted for uncollected NSF checks (Over 70,000 only)
 The County Clerk can be given credit for uncollected returned checks if it can be documented or verified the checks were given to the County Attorney's office. If checks are not turned over to the County Attorney, auditor should include an exit conference comment suggesting service be cancelled in AVIS, Delq Tax, etc., and check turned over to the County Attorney. If uncollected amounts are unreasonable, contact your Manager.
 Scan returned checks to determine if any were personal checks of the County Clerk or deputies.**
- j) Review cash receipts and disbursements ledgers for each bank account for a reasonable period (normally five business days before and after December 31, (Year of Audit) to identify inter-bank transfer checks and deposits, then visually determine recording in proper period. Specifically determine that:
 - Transfers between each ledger were recorded in the same period; i.e., all before year-end transfers were recorded in each ledger before year-end, and vice versa for post year-end transfers.
 - Transfers not clearing the bank in the same accounting period as they were initiated are properly reflected as reconciling items on the bank reconciliation. (F,D)
- k) Reconcile receipts and disbursements per proof of cash to audited financial statements. (F, E, D)
If adjustments are material, include an exit conference and report comment. If adjustments are not material, but are numerous and indicate problems, include an exit conference comment.
 Note: If QuickBooks/Quicken are used to reconcile accounts- checks may be backdated in system since these software types are data driven and will not necessarily cause a finding.
- 4. **Other Accounts:** Prepare bank trace, proof of cash, or other procedures considered necessary on all other revolving accounts such as Usage Tax Account, Fish and Game Account, Payroll Account. Determine if these accounts reconcile to zero. If accounts do not reconcile to zero, notify Audit Manager to determine if further procedures are necessary. Keep in mind that unidentified funds in these accounts can result in additional excess fees due to Fiscal Court. Make sure to include accounts receivable and outstanding liabilities. (A,C,E)
- 5. **Fiduciary Accounts - Evaluate any accounts identified as being fiduciary in nature using the evaluation form at B-12. (Note: Use a separate evaluation form for each account. Prepare/modify note disclosures to correctly identify each account.**
- 5a. **Escrow Accounts:** Prepare bank trace, proof of cash or other procedures considered necessary. Determine escrow accounts are being maintained and escheated properly to the state. Prepare appropriate financial statement note disclosures for the audit report. Notes to financial statement should only include notes for funds already escrowed. If in current year audit, you are recommending funds be escrowed, then they would not be included in notes to financial statement as an escrowed account. You would recommend that they escrow funds in exit and follow up in next audit and report/disclose properly. All escrow funds should be reviewed each year. Refer official to KRS Chapter 393A for guidance on escrow accounts.
- 5c. **Trust Accounts:** Perform proof of cash on trust accounts for note disclosure. Agree receipts and disbursements to court orders.

| Initial/Date | Reference |
|--------------|----------------------|
| | B-06a |
| | B-06c |
| | B-06d |
| | B-06d |
| | B-06b |
| | B-06 |
| | B-06f |
| | B-06e |
| | B-06 B-01 B-02 |
| | B-06 B-06e |
| | B-11 |
| | B-12 |
| | B-13 |
| | |

Suggested Further Procedures to perform in response to Risk Assessment (A-23)

AIC/Manager approval required for these procedures.

1. Perform surprise cash count. (A, B)
2. Perform monthly proof of cash. (D, E)
- 3.

Policy Note: All deficit funds should be reflected in the exit conference. Any deficit over \$1,200 should be reflected in an audit report comment. Any deficit caused by fraud should be reflected in an audit report comment regardless of amount. If you have a current year deficit report comment a deficit schedule should be included in the audit report. See APA Policy 42 Deficit Statement for guidance. Consult with your audit manager to determine if a "Schedule of Excess Liabilities Over Assets" should be included in the audit report as **Supplementary Information**.

| Initial/Date | Reference |
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| | Add ref |
| | B-07 |

CONCLUSION

We have performed procedures sufficient to achieve audit objectives and audit procedures of this office. The procedures and results are adequately presented in the accompanying audit documentation. If you are unable to conclude the audit objectives and procedures for cash have been achieved, please prepare a memo documenting your reasons.

*Complete a Finding Form for any findings to be included in the exit conference.
Use as many forms as necessary to compile findings.*

INVESTMENTS AND DEPOSITS

Audit Objectives:

(A-E establish links from assertions)

- A. Existence or Occurrence: Investment balances are evidenced by securities or other appropriate legal documents either physically on hand or held in safekeeping by others and include all the governmental unit's investments.
- B. Completeness: The County Clerk reports all balances of investments and investments are of the types authorized by law, contract, and the investment policy of the governmental unit. Investments are adequately collateralized by the County Clerk's financial institution. All related disclosures that should be included are included in the F/S Notes.
- C. Rights and Obligations: Conditions or agreements that limit the County Clerk's rights or obligations concerning Inventory are properly reflected in the financial statements.
- D. Valuation and Allocation: Investment values and income are recorded correctly in the County Clerk's financial records and related disclosures have been appropriately measured and described.
- E. Presentation: Investment disclosures, including restrictions and commitments, are adequate and related disclosures are relevant and understandable in the context of the financial reporting framework.

(Additional Objectives-Compliance)

- F. Depositories are legally acceptable, adequate collateral has been pledged at depositories for the County Clerk's deposits; and separate depository accounts are maintained as required.

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| | B-50 |
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| | N/A |
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| | N/A |
| | N/A |
| | B-10 |
| | B-05a or B-10a |
| | B-08 |
| | B-08 |
| | B-08a |
| | B-08b |
| | B-09 |

AUDIT PROCEDURES:

1. Obtain or prepare a schedule of investments
 - a) Verify that all investments and interest-bearing bank accounts revenues were properly accounted for. (D, E, C, B)
 - b) Confirm investment balances if not done in cash section above, to determine accurate valuation.
2. Determine how much FDIC coverage the official has. (A, E)
3. Test of Deposits and Investments (A, B, C, D, E, F)

Confirm pledge of securities with depositories as of the settlement date. High balance date should be tested **only** if custodial credit risk for deposits is deemed high risk.

This test should include ALL bank accounts.
4. Include a copy of the written securities agreement in audit documentation. (A-F)

If the official or county has no written agreement with the bank, include a comment in the exit conference and audit report, as we have done in the past. Consider Internal Control Aspect if this is a repeat comment.

Policy Note: All uncollateralized funds should be reflected in the exit conference and notes to the financial statements.

Refer to Policy #18 Collateralization of Deposits for guidance on when to include as a report comment.

Note: **AU-C 505** states that an oral response to a confirmation request does not meet the definition of an external confirmation.

Practical Considerations:

To determine those accounts that require deposit collateral, the auditor should apply the following criteria:

1. Determine the officers, employees, or agents of the governmental unit having official custody of funds and lawfully entitled to deposit funds.
2. For each official custodian depositing funds in each insured bank in a state in which the governmental unit is located.
3. Add together all time and savings accounts (including all NOW accounts, money market deposit accounts, etc.). Add all demand deposit accounts (e.g., interest and noninterest bearing checking accounts). The total of these accounts is insured up to a maximum of \$250,000 for each type. The total FDIC will be \$500,000. This is true for officials doing business with banks within the state.
4. For each official custodian depositing funds in each insured bank in a state outside the state in which the governmental unit is located, add together all demand deposit accounts and time and savings accounts. The total of all these accounts is insured up to a maximum of \$250,000.
5. When an insured bank acts as a fiduciary or co fiduciary of trust accounts, each separate trust estate is insured up to a maximum of \$250,000
6. The FDIC coverage of Section 457 deferred compensation accounts varies depending on the trust provisions in effect and the financial institution where the funds are being held.

A pledge of collateral for a deposit is not valid against the FDIC unless it satisfies the following requirements: a) The security agreement must be in writing; b) It must be approved by the depository institution's board of directors or loan committee, and that approval must be reflected in the minutes of the board or committee; and c) It must be an official record of the depository institution continuously since it was executed.

5. If repurchase agreement exists:

- a) Review the terms of repurchase agreements. Terms should include the types and coupon rate of collateral and the repurchase date and prices. Review master agreement and place a copy in the audit documentation (A, B, C, E, F)

Suggested Further Procedures to perform in response to Risk Assessment (A-23)

AIC/Manager approval required for these procedures.

1. Obtain confirmation from independent source.
2. If significant, verify selling price, etc. by checking reporting sources, such as "The Wall Street Journal".
- 3.

CONCLUSION

We have performed procedures sufficient to achieve audit objectives and audit procedures of this office. The procedures and results are adequately presented in the accompanying audit documentation. If you are unable to conclude the audit objectives and procedures for investments and deposits have been achieved, prepare a memo documenting your reasons.

Complete a Finding Form for any findings to be included in the exit conference. Use as many forms as necessary to compile findings.

RECEIPTS AND DISBURSEMENTS

Audit Objectives:

(A-F) establish links from assertions)

- A. Existence or Occurrence: Receipts and disbursements represent valid current period transactions. Where applicable, transactions are properly authorized.
- B. Completeness: Receipts are complete and disbursements are identified, recorded, and all related disclosed that should be in the F/S are disclosed.
- C. Rights and Obligations: The County Clerk has satisfied the relevant legal requirements to receive all receipts and other sources recorded. Disbursements are accounted for in accordance with legal and contractual provisions that have a direct and material effect on the determination of financial statement amounts.
- D. Valuation and Allocation: Receipts are recorded at the correct amounts, and disbursements are reported at appropriate amounts and related disclosures have been appropriately measured and described.
- E. Presentation: Receipts and disbursements are properly classified and disclosed in the financial statements. Financial statements are presented in conformity with the regulatory basis of accounting. Due to and due from is presented on the modified cash basis and is the result of cash transactions. Disclosures are relevant and understandable in the context of the financial reporting framework.
- F. Cutoff/Classification: Receipts and disbursements are properly classified and were processed during the correct period.

| Initial/Date | Reference |
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| | N/A |
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| | N/A |
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(Additional Objectives-Compliance)

G Compliance with applicable laws and regulations.

Evaluation of Audit Risk

After completing the Engagement Planning and Supervision, Cash, and Investments and Deposits sections of the audit program, review the information developed concerning materiality levels, the internal control and the related assessments of control risk, the results of analytical procedures, the results of cash procedures, and other factors impacting audit risk to determine the nature, extent, and amount of substantive testing.

Audit Procedures for Receipts and Disbursements:

The following test procedures in the receipts and disbursements section of this program are suggestions to meet the audit objectives. Use your professional judgment. Alternate procedures should be approved by Audit Manager.

1. Tests of Daily Receipts:

Determine if receipts are properly being accounted for on a randomly selected Week.
(Be sure to test a week's worth of daily work)

- a) Place a copy of a randomly chosen receipt in the audit documentation.
 - Verify receipt forms are issued in accordance with KRS 64.840.
 - (If not issuing receipts add comment in report).
 - Receipts should be prepared in triplicate - KRS 64.840(2).
 - Verify County Clerk is retaining all copies of voided receipts. (F)
- b) Verify receipt forms are batched daily. (A, D)
 - Verify Clerk is Accounting for Numerical Sequence of All Receipts Daily
 - * ***If manual receipts are prepared, receipts should be recapped.***
- c) Verify that batched totals are posted to a daily cash checkout sheet.
Place a copy of daily cash checkout sheets in the audit documentation. (D)
- c.1) If County Clerk uses a POS system other than KAVIS, make sure receipts (or a comparable report to KAVIS receipt report) exist. These can be batched with the daily work. Motor Vehicle printouts can be used for motor vehicle items, since no paper registrations are kept.
- c.2) Determine if voided receipts appear reasonable. If risk warrants (excessive voids, numerous by same employee, no supporting documentation), additional testing may be necessary.
- d) Foot the daily checkout sheet. Verify that the daily cash checkout sheet is posted to the receipts ledger.
Document on the checkout sheet. (D)
- e) Determine if correct fees are being collected. Document on the checkout sheet. (D)
- f) Compare daily checkout sheets total to bank deposit and receipts ledger. (D)
 - Determine if all funds collected daily are deposited
 - Determine if clerk is accounting for Overages/Shortages. Overages should be deposited to fee account.
 - If possible Determine if Cash/Checks per Checkout sheets agree to Checks/Cash per Deposit
- g) Determine if there are abnormal delays in daily receipts being deposited.
If so, Comment in Report and Analyze Year-End Deposits In Transit (F)
- h) Determine Clerk's Policy on Charge Business/Account Receivable and determine if it is accounted for properly.
Software programs allow for an accounts receivable category on the receipts ledger. If this line item is on the receipts ledger, it needs to be resolved. THERE SHOULD BE NO NEGATIVE RECEIPT LINE ITEMS. Official could be using this line item to cover shortages or may have uncollected accounts receivable. Either of these situations requires the auditor to document what makes up the balance in the account. If the County Clerk does have uncollected accounts receivable or an unexplained shortage, the negative amount should not be adjusted to another line item. It could be undeposited receipts and will affect your excess fees due. This is different from an auditor's adjustment because the County Clerk is responsible for collecting all accounts receivable by December 31. Uncollected accounts receivable is equivalent to the County Clerk giving away free services, and affects agencies other than the County Clerk's office.

| Initial/Date | Reference |
|--------------|-----------------------|
| | N/A |
| | N/A |
| | F-11 F-11a |
| | F-12 F-14 |
| | F-13 |
| | F-13 |
| | F-13 |
| | F-12 |
| | F-12 |
| | F-12 |
| | F-12 B-06a |
| | F-12 B-06b F-15 |

- i) Inquire as to whether there were any tax sale deposits. If so, verify tax sale deposits were deposited to the County Clerk's fee account.

Suggested Further Procedures to perform in response to Risk Assessment (A-23)

AIC/Manager approval required for these procedures.

1. Select additional daily checkout sheets, agree to the ledger and deposit tickets. (A)
2. Select additional deposits and agree to daily checkout sheets. (B)
- 3.

2. **Refunds:** Review the refund and miscellaneous columns of the receipts and disbursements ledgers. Reclassify receipts and disbursements accounts as necessary (such as receipts from state or county). The results may affect other auditing procedures. Affordable Housing Trust receipts should be paid to the state and reflected in the audit report. (E)

Review the APA refund policy. See Q&A 12-14-16. [C]

If refunds are material, test a selection of refunds. Refunds may be material due to delinquent tax sale deposits. Ensure that the clerk is collecting and remitting delinquent tax sale receipts per KRS 134.128 and 103 KAR 5:180 [E]

Please note that in a few counties the Clerk has held onto the deposit check rather than depositing it to the bank to avoid having to write a refund check. If the Clerk is not depositing all tax sale deposit checks when received, a finding will need to be added to the exit conference and/or audit report. Steps have been added to receipts testing and disbursements testing to cover this.

*** If Clerk has collected delinquent tax sale deposits that were later refunded, be sure to check to see if amounts were deposited and if documentation was kept for any amount refunded.**

Do not remove delinquent tax deposits and refunds since these are statutorily required receipts and disbursements. Reclaim Delinquent Tax Sale Deposit Refunds receipts and disbursements.

3. **State Payments:** Trace payments from the State to County Clerk's receipts ledger. (A)

- a) Make reclassifications to agree with state payments list if revenues are materially misclassified. If state payments were not deposited, consult with auditor-in-charge. (B, E).

Use the procedures above for clerk advancement from the state (if applicable)

- b) Email Jamie Kenyon a State Payment/eMars Research Request Form for unexplained payments. Consider risk and materiality. It may not be necessary to research trivial amounts with low risk.

4. **County Payments:** Obtain list of county payments made to the County Clerk and trace to recap of receipts ledger. (A)

If Election Officer (Board of Elections) payments are not included on County Treasurer's list, inquire if these payments are paid to the County Clerk individually. Or, if Election Officer payments are included, verify they are being deposited to the fee account. These payments are a fee of the office and not to be paid to the official directly. If payments are not deposited, comment that the County Clerk should deposit these funds and adjust Financial Statement accordingly. This will affect excess fees due.

- a) Make reclassifications to agree with list of county payments list if receipts are materially misclassified. If county payments were not deposited, consult with auditor-in-charge. (B, E)

Note: **AU-C 505** states that an oral response to a confirmation request does not meet the definition of an external confirmation.

If you have any issues with confirmations, consider the following:

If the auditor had doubts about the reliability of a response to a confirmation request, did the auditor obtain further audit evidence to resolve those doubts?

If the auditor determined that a response to a confirmation request was not reliable, did the auditor evaluate the implications on the assessment of the relevant risks of material misstatement, including the risk of fraud, and on the related nature, timing, and extent of other audit procedures?

Grant procedures are located at Step 18.

5. **Usage Tax Reports:**

Examine and review testing and conclusions performed during the MVR audit. Show uncorrected known errors on Z-06. Make adjustments to ledgers if necessary. Agree and cross-reference receipts & disbursements ledger to audited usage tax. Review, and update if necessary, MVR Risk Assessment at (A-23a) to determine if further procedures are necessary. If further procedures are necessary see below, if not, no other procedures are necessary. (A, B, C, D, E)

Based on work performed, other procedures are/are not necessary.

| Initial/Date | Reference |
|--------------|-----------|
| | F-12 |
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| | B-01 |
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| | B-02 |
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| | B-02 |
| | |
| | F-05 |
| | B-01 |
| | F-05a |
| | |
| | F-03 |
| | B-01 |
| | |
| | |
| | C-03 |
| | B-01 |
| | B-02 |

Suggested Further Procedures to perform in response to MVR Risk Assessment (A-23a) AIC/Manager approval required for these procedures.

1. Randomly pick and recap five weeks of weekly motor Vehicle usage and license tax reports. (A, B, C, D, E)
 - a) Recap and total the daily disbursements for usage tax from the five reports.
 - b) Compare the daily disbursement of usage tax per reports to cancelled checks and disbursements ledger.
 - c) Compare the date that the check was written, or should have been written, to date that the check cleared the bank account, for all disbursements examined in step (b). If longer than 20 calendar days, expand test.
 - d) Divide total disbursements by .97 to obtain calculated usage tax receipts.
 - e) Compare calculated usage tax receipts to the receipts ledger total for the total test period.
 - f) Project the monetary misstatements detected in the test period to the total population.

These calculations are not necessary (step f), if no errors are found between the report amount and books. The projection should be made on receipt or disbursement accounts, if a difference is found between the book value (County Clerk's Ledgers) and the reports.

- Monetary misstatements detected in sample items must be projected to the transaction class from which the sample was taken.
- Total recorded value of sample per Receipts and Disbursements Ledger accounts / Total recorded value of Receipts and Disbursements Ledger accounts = % of sample to total population.
- Total monetary errors found in sample (report amount - book value) / % of sample to total population = Projected error to Total Population.
- If the projected error to Total Population is within 5.25% of the total recorded value of Receipts or Disbursements ledger accounts, then the recorded amounts are acceptable. If unacceptable, alternative procedures should be considered including the following:
- Extend planned auditing procedures to identify and correct misstatement or demonstrate no material misstatement. Additional sampling should "target" high misstated segments of the population.

Or See Step 7

6. License Tax Reports:

Examine and review testing and conclusions performed during the MVR audit. Show uncorrected known errors on Z-06. Make adjustments to ledgers if necessary. Agree and cross-reference receipts & disbursements ledger to audited usage tax. Review, and update if necessary, MVR Risk Assessment at (A-23a) to determine if further procedures are necessary. If further procedures are necessary see below, if not, no other procedures are necessary. (A, B, C, D, E)

Based on work performed, other procedures are/are not necessary.

Suggested Further Procedures to perform in response to MVR Risk Assessment (A-23a) AIC/Manager approval required for these procedures.

1. a) Recap and total weekly disbursements of license tax and County Clerk's fees from the reports. (A, B, C, D, E)
- b) Compare the weekly disbursement of license tax per reports to cancelled checks and disbursements ledger.
- c) Compare the date that the check was written, or should have been written, to the date that the check cleared the bank account, for all disbursements examined in step (b). If longer than 20 calendar days, expand testing.
- d) Compare total collected to the receipts ledger for the test periods.

| Initial/Date | Reference |
|--------------|----------------------|
| | H-06 |
| | C-07 B-01 B-02 |
| | H-07 |

- e) Project the monetary misstatements detected in the test period to the total population.

These calculations are not necessary (step e), if no errors are found between the report amount and books. The projection should be made on receipt or disbursement accounts, if a difference is found between the book value (County Clerk's ledgers) and the reports.

- Monetary misstatements detected in sample items must be projected to the transaction class from which the sample was taken.
- Total recorded value of sample per Receipts and Disbursements Ledger accounts / Total recorded value of Receipts and Disbursements Ledger accounts = % of sample to total population.
- Total monetary errors found in sample (report amount - book value) / % of sample to total population = Projected error to Total Population.
- If the projected error to Total Population is within 5.25% of the total recorded value of Receipts or Disbursements ledger accounts, then the recorded amounts are acceptable. If unacceptable, alternative procedures should be considered including the following:
- Extend planned auditing procedures to identify and correct misstatement or demonstrate no material misstatement. Additional sampling should "target" high misstated segments of the population.

Or See Step 7

7. Usage and License Tax Reports:

Examine and review testing and conclusions performed during the MVR audit. Show uncorrected known errors on Z-06. Make adjustments to ledgers if necessary.

Suggested Further Procedures to perform in response to MVR Risk Assessment (A-23a) AIC/Manager approval required for these procedures.

1. Recap all weekly motor vehicle usage and license tax reports and compare yearly totals to recap of receipts and disbursements ledgers. (A, B, C, D, E)
 - a) Recompute County Clerk's commission for reasonableness.
 - b) Consider reclassifying usage and license tax receipt or disbursement accounts on the recap of receipt difference when compared to the reports.
 - c) On a test basis, trace report amounts to 25 usage and 25 license checks.
 - d) Compare the date that the check was written, or should have been written, to the date that the check cleared the bank account for all disbursements examined in step (c). If longer than 20 calendar days, expand testing.

8. Tangible Personal Property Tax: (also know as MO tax or Advalorem)

Examine and review testing and conclusions performed during the MVR audit. Show uncorrected known errors on Z-06. Make adjustments to ledgers if necessary. Agree and cross-reference receipts & disbursements ledger to audited usage tax. Review, and update if necessary, MVR Risk Assessment at (A-23a) to determine if further procedures are necessary. If further procedures are necessary see below, if not, no other procedures are necessary. (A, B, C, D, E)

Based on work performed, other procedures are/are not necessary.

Suggested Further Procedures to perform in response to MVR Risk Assessment (A-23a) AIC/Manager approval required for these procedures.

1. Randomly pick two monthly tangible personal property tax reports (copy or recap information). Compare totals to receipts and disbursements ledgers for the appropriate month. (A, B, C, D, E)
 - a) Recompute County Clerk's commissions for reasonableness.
 - b) Compare reported receipts to AVIS System Printout. (County tax

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collection journal).

- c) Trace reported payments to cancelled checks and disbursements ledger.
- d) Compare the date the check was written, or should have been written, to the date that the check cleared the bank account for all disbursements examined in step (c). If longer than 20 calendar days, expand testing.
- e) Project the monetary misstatements detected in the test period to the total population.

These calculations are not necessary (step e), if no errors are found between the report amount and books. The projection should be made on receipt or disbursement accounts, if a difference is found between the book value (County Clerk's ledgers) and the reports.

- Monetary misstatements detected in sample items must be projected to the transaction class from which the sample was taken.
- Total recorded value of sample per Receipts and Disbursements Ledger accounts / Total recorded value of Receipts and Disbursements Ledger accounts = % of sample to total population.
- Total monetary errors found in sample (report amount - book value) / % of sample to total population = Projected error to Total Population.
- If the projected error to Total Population is within 5.25% of the total recorded value of Receipts or Disbursements ledger accounts, then the recorded amounts are acceptable. If unacceptable, alternative procedures should be considered including the following:
 - Extend planned auditing procedures to identify and correct misstatement or demonstrate no material misstatement. Additional sampling should "target" high misstated segments of the population.
 - Consider reclassifying these accounts on the recap of receipts and disbursements ledgers if there is a material difference.

2. Recap all monthly tangible personal property tax reports and compare yearly totals to recap of receipts and disbursements ledgers. Use summary computer printouts if available. (A, B, C, D, E)

- a) Recompute County Clerk's commissions for reasonableness.
- b) Consider reclassifying these amounts on the recap of receipts and disbursements ledgers if there is a material difference.
- c) On a test basis, (two months or more) trace report amounts to cancelled checks.
- d) Compare the date the check was written, or should have been written, to the date that the check cleared the bank account for all disbursements examined in step (d). If longer than 20 calendar days, expand testing.

Auditors will use their judgment to determine if it is necessary to test other revenue and expenditure categories. Analytical audit procedures may be used as substantive tests of transactions. (A,D,G)

9. Delinquent Tax. (If Material or Identified as Increased Risk)

- a) Recap delinquent tax reports and compare yearly totals to recap of receipts and disbursements ledgers.
- b) Compare the amounts to be submitted to the districts, county attorney, and sheriff from the report to disbursements ledger.
- c) Consider reclassifying these amounts on the recap of receipts and disbursements ledgers if there is a material difference.
- d) On a test basis (two months), trace reported amounts to cancelled checks.
- e) Compare the date that the check was written or should have been written, to the date that the check cleared the bank account, for all disbursements

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examined in step (d). If longer than 20 calendar days, expand testing.

Suggested Further Procedures to perform in response to Risk Assessment (A-23)
AIC/Manager approval required for these procedures.

1. Randomly select a month of delinquent tax reports. (A, B, C, D, E)
 - a) From the land sale book (make sure the computer system report is complete), pull a judgmental selection of 10 entries (tax bills) marked paid during the calendar year. Trace tax bill number, tax year, and name to the monthly tax report. Expand if any exceptions are found.

Or

2. Confirm large delinquent tax bills with taxpayers. (A, B, D)

10. Legal Process Tax and Chattel Mortgage Receipts: (If Material or Identified as Increased Risk)

Perform analytical audit procedures as substantive test. If analytical review procedures are favorable, review the Risk Assessment Summary at (A-23) to determine if there is an increased risk in this area. If there is an increased risk proceed to suggested further procedures below. If there is not an increase in risk no further testing is required.

Based on work performed, other procedures are/are not necessary.

Suggested Further Procedures to perform in response to Risk Assessment (A-23)
AIC/Manager approval required for these procedures.

Legal Process Reports - 1 month:

1. Select one legal process tax report (monthly) to test. (A, B, C, D, E)
 - a) Make a copy of legal process tax report.
 - b) Calculate the total collections by category and compare to the recap of receipts ledger for the appropriate month. This should include real estate mortgages, marriage licenses, powers of attorney, chattel mortgages, and deeds.
 - c) If the comparison is reasonable, accept the results. We expect the receipts ledger to have more receipts posted than calculated receipts due to extra pages, etc. Therefore, a projection of misstatements in the selection is not practicable. However, if the receipts ledger is less than the report, consider testing another report. If two months of testing is considered unacceptable perform alternative testing procedures.
 - d) Compare total disbursement(s) per report(s) to the disbursements ledger and cancelled checks.
 - e) Determine if reports were filed for all months.

Chattel Mortgage Receipts:

2. a) Test chattel mortgage receipts by determining first and last number of the year, compute total chattel mortgages recorded, multiply by chattel mortgage recording charge and compare to total per receipts ledger. Determine compliance with KRS 64.012 (filing fees). (D, E, F)

Or

Legal Process Reports - 12 Months:

3. Recap all legal tax reports for the year. Make analytical and comparative analysis to recap of receipts ledger for real estate mortgages, marriage licenses, powers of attorney, chattel mortgages, and deeds. (A, B, C, D, E, F)
 - a) Test chattel mortgage receipts by comparing total number computed to total reported per recap of legal process tax reports. Determine compliance with KRS 64.012. (filing fees)

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- b) Compare total disbursements per reports to disbursements ledger. Reclassify the disbursements ledger and adjust proof of cash if necessary.
- c) Compare four monthly payments to cancelled checks.
- d) Test one month's monthly report to record deed books, etc.

Or

Legal Process Reports - 12 Months:

- 4. Count real estate mortgages, leases, marriage licenses, and other relevant recordings and compare with recap of legal process tax reports.

11. Deed Transfer Tax: (If Material or Identified as Increased Risk)

Perform analytical audit procedures as substantive test. If analytical review procedures are favorable, review the Risk Assessment Summary at (A-23) to determine if there is an increased risk in this area. If there is an increased risk proceed to suggested further procedures below. If there is not an increase in risk no further testing is required. (A, B, C, D, E, F)

Based on work performed, other procedures are/are not necessary.

**Suggested Further Procedures to perform in response to Risk Assessment (A-23)
AIC/Manager approval required for these procedures.**

Deed Transfer Tax Reports - 12 Months:

- 1. Recap Deed Transfer Tax Reports and compare yearly total with the recap of receipts and disbursements ledgers. (A, B, C, D, E)
 - a) Recompute County Clerk's commissions for reasonableness.
 - b) Trace reported amounts to cancelled checks.

Or

- 2. Select one month at random and test collection of deed transfer tax and recording fee.
 - a) From the deed book prepare a schedule of all deeds recorded for the test month listing both the recording fee and deed transfer tax collected. Compare deed transfer tax collected to receipts ledger.
 - b) Compare recording fees with recap of legal process tax reports. Consider whether to expand testing. Explain any material differences.
 - c) Consider reclassifying these amounts on the recap of receipts and disbursements ledgers if there is a material difference.

12. Occupational License Tax Reports: (If Material or Identified as Increased Risk)

Perform analytical audit procedures as substantive test. If analytical review procedures are favorable, review the Risk Assessment Summary at (A-23) to determine if there is an increased risk in this area. If there is an increased risk proceed to suggested further procedures below. If there is not an increase in risk no further testing is required.

Based on work performed, other procedures are/are not necessary.

**Suggested Further Procedures to perform in response to Risk Assessment (A-23)
AIC/Manager approval required for these procedures.**

- 1. a) Recap occupational license reports and compare total collections to recap of receipts ledger.
- b) Test June occupational license report by examination of license forms.

13. Whiskey and Beer License Reports: (If Material or Identified as Increased Risk)

Perform analytical audit procedures as substantive test. If analytical review procedures are favorable, review the Risk Assessment Summary at (A-23) to determine if there is an increased risk in this area. If there is an increased risk proceed to suggested further procedures below. If there is not an increase in risk no further testing is required.

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| <p>b) Determine if salaries are set by the Fiscal Court and if paid within limitations (NOT REQUIRED TO TEST LIMITATION IF FEE POOLING) Note: Employer matching share of social security and retirement is not a fringe benefit but a statutory requirement. These amounts and health insurance cost would normally not be included in the amount of deputy salaries set by the Fiscal Court unless they specifically include in a court order. Health insurance cost is authorized under KRS 61.405. (See compliance checklist)</p> | | G-03 |
| <p>c) Perform expanded analytical on ALL payroll accounts to determine if payroll reported on the financial statement is fairly stated (See expanded analytical guidance).</p> | | G-03 |
| <p>d) Verify that payroll is properly supported. (Not applicable to fee pooling counties).</p> <ol style="list-style-type: none"> Determine that timesheets (or daily attendance record) are completed for all employees. Test all employees timesheets for one pay period regardless of # employees. Determine that timesheets (or daily attendance record) are maintained. Determine that timesheets (or daily attendance record) are approved. Determine that timesheets (or daily attendance record) support hours worked and hours paid. (Recalculation is not necessary. Step can be completed by reviewing timesheets & payroll ledgers for selected period.) Determine that timesheets (or daily attendance record) document overtime (if applicable). Determine if leave taken on timesheets (or daily attendance record) agrees to leave balance reports. | | G-03 |
| <p>e) Review Individual Earning Records and Payroll Records to determine if Bonuses or other type of one-time payments are made. If found, please contact your manager due to bonuses not being allowed to be paid. Officials routinely make one-time payments for leave conversion when someone retires or resigns. Consider based on risk and number of such payments picking transactions of such payments and tracing to supporting documentation.</p> | | G-03 |
| <p>f) Tie in totals of individual earnings records to recap of disbursements.</p> | | G-03 |
| <p>g) Determine if salary paid to the Sheriff was made in accordance with the salary schedule approved by DLG. Perform the following procedures:</p> <ol style="list-style-type: none"> Place a copy of DLG's Salary Schedule in the workpapers. Place a copy of official's training benefit letter if applicable in the workpapers. Lorrie Hawkins can provide this. Place a copy of the official's W-2 in the working papers. Blacken out all social security numbers. Determine if separate W-2 was issued for training benefit letter. Reconcile taxable wages per W-2 to gross wages. Compare computed gross wages to total of DLG's salary schedule and training benefit letter. | | G-03 G-04 G-05 |
| <p>h) Determine if official pays employer's share of retirement from fee account. If so, collect data for retirement note presentation. Three years of data is necessary for this data is a note presentation. Prior year amounts can be obtained from prior year audit reports. This is only the employer's matching portion paid by the official's fee account.</p> | | G-03 |
| <p>i) Perform tests of health insurance. The only time this would not apply is if insurance is not provided or the office is fee pooling. Health Insurance steps may not work well for counties that are self-insured. Modify as needed</p> <ol style="list-style-type: none"> Determine if discrimination exists between the health insurance coverage provided to all persons employed by the Office of the Sheriff. From one health insurance invoice, select employees to trace health insurance withholdings to withholdings documented on payroll earnings register. This test is verifying that employees are not receiving health insurance benefits without paying their portion. If official is paying health insurance withholdings over to Fiscal Court, obtain a copy of the health insurance invoice from the County Treasurer or verify the the health insurance withholdings with the County Treasurer. Determine whether the Sheriff paid employer's share health insurance premiums for employees from fee account. If so, select at least two invoices and test for attributes listed below. <ol style="list-style-type: none"> Payment traced to cancelled check. The expenditure is allowable, supported, and recorded accurately. The expenditure was paid within 30 working days of the receipt. If official is paying employer's share health insurance over to Fiscal Court, obtain a copy of the health insurance invoice from the County Treasurer or verify the the employer's share health insurance with the County Treasurer. | | G-03 |
| <p>j) If fiscal court prepares payroll, confirm with the County Treasurer that the Sheriff remitted payment for all payments made on his/her behalf. Please include narrative of the process and any relevant information. If payments are not being made, discuss with Manager how to proceed.</p> | | G-06 |

b. If illegal acts or fraud are discovered during the audit, prompt notice shall be given to the Audit Manager and the Director of OLGA Financial Audits and the ASA. As always, this information is confidential and is not for disclosure to any one except the above. Document below whether any material errors, illegal acts or fraud have come to your attention and their disposition, if possible.

If there are referrals to regulatory agencies or law enforcement, this will be documented in the final processing documents as well as communications maintained by the legal department.

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| 21. AUDIT EVIDENCE: Document any instances noted where audit evidence obtained was not determined to be relevant and reliable, contradicted financial statement assertions, or was not sufficiently precise and detailed for audit purposes, or was not accurate and complete. Document further audit procedures used to respond to the risk of material misstatement at the assertion level below. <hr/> | N/A OR ADD REF |
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CONCLUSION

We have performed procedures sufficient to achieve audit objectives and audit procedures of this office. The procedures and results are adequately presented in the accompanying audit documentation. If you are unable to conclude the audit objectives and procedures for receipts and disbursements have been achieved, please prepare a memo documenting your reasons.

Complete a Finding Form for any findings to be included in the exit conference. Use as many forms as necessary to compile findings.

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COMPLIANCE:

Audit Objective: To test for compliance with applicable statutes, laws and regulation.

1. Complete compliance checklist. Cross-reference noncompliance to supporting audit documentation. Verify correct KRS/KAR is being cited. Retain copy of KRS/KAR cited in binder. Delete KRS folder from binder **except for noncompliances.**
2. a) Determine if the Fiscal Court approved fee official's budget and if the budget passed is line item budget. (Note: To qualify as line item budget Fiscal Court must specifically fix line items in Fiscal Court minutes. Including a copy of the form provided by DLG by itself does not qualify as a line item budget.)
 b) Determine if the Official obtained any budget amendments prior to December 31.
 c) Determine if the official expenses were within budgeted amounts. **Official expenses are expenses which are not mandated by KRS, ordinance, or court order.** (Note: If not line item budget, we are determining if overall budget was sufficient.) *Budget to actual comparison can be performed on the 4th Quarter Report or on Z-04c but should compare budget to financial statement expenditures after all adjustments have been made and should include payroll.*
 d) If official expenses are not within budgeted amounts:
 1. Overall budget over budget or line item budget over budget: Minimum exit conference comment and contact manager to determine if audit comment necessary.
 2. Overall budget under budget but line items in overall budget over budget: Verbal or exit conference recommending official monitor budget and obtain budget amendments in the future if necessary.

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CONSULTATION:

1. Was there appropriate consultation and documentation of situations not specified by APA policy or unusual matters?
 If the auditor judged it necessary to depart from a relevant presumptively mandatory requirement, did the auditor document the justification for the departure and how the alternative audit procedures performed in the circumstances were sufficient to achieve the intent of that requirement? These should be discussed with and approved by your AM or the ASA as necessary.

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| Protected Health Information (PHI) and Personally Identifiable Information (PII) | | |
| 1. Verify that all PHI and PII has been properly redacted or removed from the audit binder. Refer to the APA PII- PHI policy sent by the ASA on 9-14-22. Contact your audit manager with any questions. | | |

COMPLETION:

1. Determine whether the assessments of the risk of material misstatement at the relevant assertion level remained appropriate.
Update A-23 as needed.

A-23

2. Complete the **Qualifications Checklist**. If you have findings concerning the qualifications of personnel, make sure to thoroughly document the reasons for the finding, and **contact your audit manager**.

Z-22

3. Complete the **Examples of Internal Control Deficiencies** to determine whether or not any issues were identified during the audit.

Z-23

4. For internal control and compliance findings, use the **Evaluation and Communication of Internal Control Deficiencies and Noncompliance's** to document your evaluation of the severity of the findings.

Z-20

Note: Document justification for finding- See new column on worksheet.

5. **Deficit.** Ascertain whether any deficit reported in the current audit has been paid in whole or in part. The auditor must verify by reference to bank records that deficits have been reduced and from appropriate source.

B-07

6. **Prior Year Comments.** Follow up and comment on prior year audit finding - (unpaid excess fees, etc.). **GAO additional fieldwork standard requires auditors to follow up on known material findings and recommendations from previous audits.**

Z-02

7a. Audit Opinion Memorandum:

Include a memorandum explaining and justifying the audit opinion of the report. This memo should at least include:

- a) An explanation of the scope of the audit.
- b) The audit was conducted in accordance with Governmental Auditing Standards.
- c) Disclose the type of opinion being issued and explain why. **See guidance on Z-05**
- d) Document any differences of opinion between staff as it relates to the audit opinion of the report.
- e) Consider whether audit procedures performed to achieve other audit objectives or other general procedures have identified conditions and events that, when considered in the aggregate, indicate there **could be** a substantial doubt about the governmental unit's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statement being audited. If there is a going concern issue, amend the management representation letter and add an **emphasis of matter** paragraph must be added to the Independent Auditor's Report. **See examples at Z-12c**
 - 1. Analytical Procedures
 - 2. Review of subsequent events
 - 3. Compliance with terms of loan agreements
 - 4. Review of fiscal court orders
 - 5. Legal representation letter
 - 6. Auditor's judgment

Z-05

f) Consider and document whether audit evidence obtained was determined to be relevant and reliable, corroborates or contradicts financial statement assertions, was sufficiently precise and detailed for audit purposes, and was accurate and complete.

Z-05

7b. **Contact your audit manger, quality assurance, and the ASA for any opinion modifications in order to determine that all reporting and documentation requirements have been met. Send report to QC for possible wording changes. Complete workpaper Z-05b.**

Z-05b

This workpaper can also be used to document Emphasis of Matter Paragraphs and Other Matter Paragraphs

8. **Report.** Prepare draft report and reference all comments*, amounts, notes, internal control and compliance letters, to supporting documentation. Ascertain that excess fees reported in current audit have been paid.

****Note: The audit report, representation letter, and exit conference should all be dated the end of fieldwork date. Discuss major findings with audit manager to determine if a referral to another agency is needed. (AG office, etc.)**

Z-12

- a) Include necessary Financial Statement Note Disclosures. Delete fee-pooling note disclosure if not applicable.
- b) Choose appropriate Internal Control and Compliance letter, based upon audit report comments.
- c) Include former in the appropriate places and address letters to both former County Clerk and current County Clerk **if this is an audit of a former official.**

A-28a
A-18, M-01
Z-12

AU-C 700 includes the following language: "The auditor's report should not be dated earlier than the date the auditor has obtained sufficient appropriate audit evidence to support the opinion." Among other things, sufficient appropriate audit evidence includes evidence that the audit documentation has been reviewed and that the entity's financial statements, including disclosures, have been prepared and that management has

asserted that it has taken responsibility for them.

** APA Policy is to conduct a Level 1 Review prior to the exit conference - APA fieldwork date has primarily been the day of the exit conference (field auditor's last day on audit site). Our report date should coincide with the last day on site **and the day the official signs the representation letter** at the conclusion of the audit. If there are questions regarding your report date, contact your audit manager for guidance.

9. Report Comparison. Compare draft audit statement with previous audit for significant differences. Document and explain why any significant differences exist, if any. The overall review would generally include reading the financial statements and notes and considering (a) the adequacy of evidence gathered in response to unusual or unexpected balances identified in planning the audit or in the course of the audit and (b) unusual or unexpected balances or relationships that were not previously identified. Results of an overall review may indicate that additional evidence may be needed.

Analytical review is located at B-00.

NOTE: Guidance for full-year to part-year comparison options is included on Z-04

Perform Clerk's Commission analytical review for the following accounts:

- a) Does gross motor vehicle license and transfer receipts less County Clerk's commission compare reasonably to motor vehicle license payment to the State?
- b) Does gross motor vehicle usage tax receipts less County Clerk's commission compare reasonably to motor vehicle usage tax payments to State? (Do this by calculating 97% of receipts).
- c) Does gross tangible property tax receipts less the County Clerk's commission compare reasonably to tangible property tax payments to the State, County, and Special Taxing Districts. (do this by calculating 96% of tangible tax collections).
- d) Does gross deed transfer tax receipts less the County Clerk's commission compare reasonably to deed transfer tax payments to the county (95% of receipts).

12. Legal Representation Letter: (M)

Determine that the County Attorney representation letter has been obtained. If there is litigation that is being handled by the official's insurance carrier or other legal representation, obtain a separate representation letter for issues being litigated. Prepare County Attorney Representation Letter Conclusion. If you cannot obtain a legal representation letter, contact your manager for guidance.

Legal representation letter should be obtained prior to the exit conference and a conclusion on if a note disclosure is needed in the audit report should be completed prior to the end of field work.

10. Subsequent Events: Must be signed off in binder day of exit (EOF).

- a) Scan quarterly financial reports prepared by official for each quarter since the end of the calendar year for unusual items. Investigate all unusual circumstances.
- b) Inquire of the fee official as to the occurrence of significant events occurring subsequent to calendar year-end that need to be disclosed in financial statements. Document in exit conference.
- c) Inquire of the County Attorney if anything has changed since he/she signed the representation letter. Obtain additional documentation if necessary.

An update is required if the date of the letter is more than 30 days prior to the date of the exit.
- d) Determine if County Clerk's current receipts ledgers and deposits are being completed timely. Delays in recording or depositing receipts could indicate problems.

11. Going Concern Issues:

Consider whether audit procedures performed to achieve other audit objectives or other general procedures have identified conditions and events that, when considered in the aggregate, indicate there could be a substantial doubt about the governmental unit's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statement being audited.

- a) If you identify any conditions or events that cause you to believe there is a substantial doubt about the governmental unit's ability to continue as a going concern, complete the "Governmental Going Concern Checklist and apply any necessary audit procedures to obtain evidential matter about identified conditions and events, management plans for dealing with the adverse effects of the conditions and events, or prospective information particularly significant to management's plans.

If there is a going concern issue the management representation letter must be amended and an emphasis of matter paragraph must be added to the Independent Auditor's Report. AU-C 570.

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| | Z-01 |
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| | See Z-12c |

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| <p>1. If, after considering identified conditions or events and management’s plans, the auditor concludes that substantial doubt about the entity’s ability to continue as a going concern for a reasonable period of time remains, a separate section in the auditor’s report with the heading “Substantial Doubt About the Entity’s Ability to Continue as a Going Concern” should be included that does the following:</p> <p>a. Draws attention to the note in the financial statements that discloses: 1) the conditions or events identified and management’s plans that deal with these conditions or events, and 2) that these conditions or events indicate that substantial doubt exists about the entity’s ability to continue as a going concern for a reasonable period of time; and</p> <p>b. States that the auditor’s opinion is not modified with respect to the matter.</p> | | <p>Z-12</p> <p>Z-12</p> <p>Z-12</p> |
| <p>12. Materiality Considerations</p> <p>Based on audit results and any audit adjustments determine if materiality calculated during planning needs to be adjusted in order to determine whether uncorrected misstatements are material to the financial statements as a whole.</p> <p>As the audit progresses, the auditor should consider whether materiality used for planning purposes needs to be reassessed because of significant changes in the quantitative or qualitative factors originally considered in the determination of materiality. Complete Z-08 to document this consideration.</p> <p>Note: If materiality recalculation finds a materiality level lower than the planning materiality level, review the F/S for any missed material accounts and perform necessary work to ensure all material accounts were tested appropriately.</p> | | <p>Z-08</p> <p>A-16a</p> |
| <p>13. Summary of Financial Statement Misstatements:</p> <p>Prepare a schedule summarizing all projected error results from sampling applications tests of tangible personal property (also known as motax and ad valorem) and delinquent taxes and all uncorrected known errors from nonsampling applications. (Other testing). For example, if usage tax is overstated by \$300 and license tax is understated by \$300 the summarized total is \$0.</p> <p>* Document the nature and effect of aggregated misstatements, and conclude as to whether the aggregated misstatements cause the financial statements to be materially misstated.</p> <p>* Were misstatements indicative of Fraud <u>Yes or No</u></p> <p>Were misstatements indicative of Collusion? <u>Yes or No</u></p> <p>* If the answer to either question is yes, re-evaluate risks at A-23. Determine if procedures were adequate to respond to additional risks and evaluate reliability of previous evidence examined or tested.</p> | | <p>Z-06</p> <p>Z-06/A-23</p> |
| <p>14. Audit Adjustments:</p> <p>Summarize and evaluate misstatements noted during the audit. Post audit adjustments to Z-06. Explain adjustments to County Clerk. The County Clerk’s signature indicating approval of adjustments to their F/S is required. Otherwise, adjustments cannot be made.</p> | | <p>Z-06</p> |
| <p>15. Review and update Consideration of Independence Issues</p> <p>a. Auditor should also review Nonaudit Services Planning Document and update for any additional nonaudit services (ex. Schedule of Liabilities over Assets). Provide management with an updated completed copy of the document.</p> | | <p>A-29</p> <p>A-29a</p> |
| <p>16. Exit Conference</p> <p>** <i>APA Policy is to conduct a Level I Review prior to the exit conference - APA fieldwork date has primarily been the day of the exit conference (field auditor’s last day on audit site). Our report date should coincide with the last day on site and the day the official signs the representation letter at the conclusion of the audit. If there are questions regarding your report date, contact your audit manager for guidance.</i></p> <p>a) Compile all Finding Forms from various audit sections into an "Exit Conference Document." Ensure all findings include all six elements required by Government Auditing Standards. (See guidance at A-50). Findings should still be numbered 20__-001, etc.</p> <p>b) For noncompliance items, include a copy of the KRS, KAR, federal law, local ordinance, etc. in the M "Compliance" folder in the binder and cross-reference to the Finding Form.</p> <p>c) Schedule exit conference meeting after the Level I reviewer has signed off on the binder, and if applicable, cleared review comments. <i>Level I reviewer should notify the field auditor when the audit is returned, if review comments need to be cleared before the exit conference.</i></p> <p>d) Provide official with a copy of the draft financial statements and notes. By signing the exit conference document, the official is acknowledging the financial statement presentation and note disclosures so there is no need to get signatures on the other attachments. Be sure all pages of the financial statement and notes are marked "DRAFT".</p> <p>e) Have all attendees sign the signature page of your copy of the exit conference document. Make sure the official has a copy of the signed page as well. Remind them that the corrective action plans will be printed verbatim in the audit report. Make sure the exit conference document has specific date for corrective action plans to be returned. Explain if they fail to return them timely, the audit report will read</p> | | <p>Z-13</p> |

| | Initial/Date | Reference |
|--|--------------|---------------|
| "The official did not provide a response." | | |
| f) Give the official Corrective Action Plan Guidance <Z-13a> with the template for which they may use to record their responses. This form can be emailed to the official if he/she wants to type the corrective action plans. You do not need to prepare a CAF for each finding. | | Z-13a |
| g) Scan in signed exit, draft financial statements, draft note disclosures, and completed corrective action plan forms. | | Z-13b |
| h) Evaluate management's responses. If the auditee did not agree with the finding, draft an auditor reply and notify AM. | | Z-12 / Z-20 |
| All unallowed expenses should be in an exit comment and include with the County Judge Executive's exit. | | Z-07 |
| 17. Official's Representation Letter: | | |
| Secure a representation letter from the County Clerk. Please read guidance on required representations and add any additional representations necessary for the audit. This letter must be signed by the County Clerk or, at a minimum, a qualified opinion will be issued. NOTE: If the official refuses to sign a representation letter, the APA may withdraw from the engagement. Contact your manager as soon as you find out the official will not sign a representation letter. The AM will coordinate with the Executive Director and ASA about the official's refusal to sign the representation letter. This will apply if there are concerns with the competence, integrity, ethical values, or diligence of management and the possible effect on the audit report. | | Z-09 |
| 18. Resource Materials And Other Information | | |
| Review audit documentation and delete all resource materials and other information such as manuals, copies of statutes except for noncompliances, and copies of APA policies. Deleting unnecessary information will help keep finalized binders smaller and save storage space. | | |
| 19. Field Auditor Level I Review: | | |
| Field Auditor should review audit documentation and audit report to ensure they are in accordance with APA standards. Complete a Level I Review Checklist self review and correct all issues noted before submitting to the level I reviewer. If over 70 county, make sure to complete Level I Review addendum. | | Z-15 |
| NOTE: A significant portion of level I reviews including the AIC's level I review must be completed before the exit conference can be conducted. If there are major significant audit comments in the report a review in Frankfort might need to be completed before the exit conference can be conducted. Contact your AIC/Audit Manager. | | |
| 20. Auditor In Charge (AIC) Level I Review: | | |
| Auditor in charge should review audit documentation and audit report to ensure they are in accordance with APA standards. Complete the initial Level I review checklist. If over 70 county, make sure to complete Level I Review addendum. If there are major problems that need to be addressed based upon this review AIC should return to field auditor for additional work or changes. After changes are made or additional work completed by field auditor, AIC should clear review comments. | | Z-15a |
| 21. Recommendations to Future Auditor | | |
| File all recommendations from each audit section for the next year's auditor. Also file additional recommendations for overall planning and completion as well as significant decisions reached during the audit. | | Z-19 |
| 22. Feedback | | |
| Assess the adequacy of audit procedures and audit programs - Notify Quality Assurance at APA.QualityAssurance@ky.gov if you note any issues or concerns with audit programs or procedures. Please send an email as soon as you notice an issue so it gets added to the Audit Program Committee's to-do list. | | |
| 23. Documentation of Differences of Opinion | | |
| Determine if there were any differences of professional opinion among members of the engagement team or between the engagement team and a specialist. If so, determine that the differences were properly resolved and documented in the workpapers and that the documentation addresses the considerations involved in the resolution. Consultations with audit manager, division director, or ASA and resolutions should be documented in the workpapers. | | |
| 24. Completion Checklist - Field Auditor | | |
| After exit conference, complete Completion Checklist to determine all steps are completed. | | Z-15b |
| 25. Workstatement, Time Budget, Time Run: | | |
| Complete workstatement and time budget. Contact APA and request a Time Run for the County Clerk you are auditing. | | Z-17 Z-17a |

This should be the time code you charge the audit work to on your timesheets.
 Reconcile the Time Run to the workstatement. Any errors should be corrected.
 If there are errors on timesheets, re-submit the corrected timesheet and contact your audit manager to approve the timesheet(s). File the Time Run and any reconciliation in the audit documentation. DO NOT include copies of timesheets or travel vouchers.

NOTE: This Time Run will only include the most recent posting of timesheets therefore total on workstatements vs. Time Run will most likely not match. Final reconciliation will be completed in Frankfort.

26. Budget Amendment(s)

Explain why audit cost increased from the prior year and attach to the time budget. These explanations will be submitted to the fiscal court and written in the audit bill from Frankfort for all audit cost increases of 10% or more.

27. Audit Completion Form

Complete the Audit Completion Form and email it to Lorrie Hawkins. **Verify email from exit conference!**

28. Upload Audit to Central File Room

Through **VPN check in audit binder to central file room.**

CONCLUSION

We have performed procedures sufficient to achieve the general program audit objectives, and the results of these procedures are adequately documented in the accompanying workpapers. (If you are unable to conclude on any objective, prepare a memo documenting your reason.)

| Initial/Date | Reference |
|--------------------------|-----------|
| | Z-17b |
| | Z-18 |
| | Z-17b.c |
| | Z-25 |
| | N/A |
| Sign off Required | |