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SUPERVISION,
REVIEW, AND
REPORT PROCESSING

AICPA _____
American Institute of Certified Public Accountants

TIPS 5 SUPERVISION, REVIEW, AND REPORT PROCESSING

AICPA

NOTICE TO READERS

This book appears as sections 9100 through 9500 in the looseleaf AICPA *Audit and Accounting Manual* (as of June 1990), which is updated quarterly.

This manual is a nonauthoritative kit of practice aids and, accordingly, does not include extensive explanation or discussion of authoritative pronouncements. Users of this manual are urged to refer directly to applicable authoritative pronouncements when appropriate.

The exhibits are for illustrative purposes only. They are included as conveniences for users of this manual who may want points of reference when reviewing the workpapers or preparing the report.

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Technical
Information for
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Series

5

SUPERVISION, REVIEW, AND REPORT PROCESSING

Linda J. Huntley, CPA, *Technical Manager*

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PREFACE

SUPERVISION, REVIEW, AND REPORT PROCESSING

This book is the fifth in the Technical Information for Practitioners series. Each book in the series is designed to give practical guidance to one aspect of an accounting or audit engagement. This revision also appears as sections 9000 through 9500 of the looseleaf AICPA *Audit and Accounting Manual* (as of June 1990), which is updated quarterly.

This book includes an overview of supervision and review procedures as well as numerous engagement review programs that can be used by firms for reviewing workpapers and accountant or auditor reports.

This is a nonauthoritative kit of practice aids. Various formats of engagement review programs are in use; nevertheless, inclusion of the format in this book in no way means that it is preferable. Readers are urged to refer directly to authoritative pronouncements when appropriate.

Illustrative formats of engagement review programs are often helpful in developing a consistent style within a firm. However, no set of illustrative formats can cover all the situations that are likely to be encountered in practice because the circumstances of engagements vary widely.

Readers should consider other sources of illustrative presentations, such as those in authoritative pronouncements and AICPA audit and accounting guides.

The sole responsibility for this material rests with the staff of the Technical Information Division. This material has not been approved, disapproved, or otherwise acted upon by the senior technical committees of the American Institute of Certified Public Accountants or the Financial Accounting Standards Board. Comments and suggestions may be addressed to the following:

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AAM Section 9100

Supervision and Review Procedures

Introduction

.01 Supervision is an important phase of all engagements. A supervisor trains staff members, determines that there is an understanding of the work to be performed, and ascertains that all procedures were appropriately performed.

.02 Review procedures are necessary to determine whether the objectives of the engagement and the results of the procedures performed were consistent with the conclusions presented in the accountant's or auditor's report.

Authoritative Literature

.03 The necessity for supervision is emphasized in the AICPA Code of Professional Conduct, which applies to all major areas of accounting practice. Rule 201, "General Standards" (AICPA, *Professional Standards*, vol. 2, ET sec. 201.01) states: "A member shall adequately plan and *supervise* an engagement."

.04 The first standard of fieldwork of generally accepted auditing standards states: "The work is to be adequately planned and assistants, if any, are to be properly *supervised*."

.05 For compilation and review engagements, Statement on Standards for Accounting and Review Services (SSARS) 1, paragraph 3, provides the guidance necessary to enable the accountant to comply with the general standards of the profession as explained in .03 above.

.06 For audit engagements, the following Statements on Auditing Standards (SASs) provide specific guidance on supervising and reviewing audit engagements:

- a. SAS No. 22, *Planning and Supervision* (AICPA, *Professional Standards*, vol. 1, AU sec. 311) establishes broad requirements for the review of the work of assistants.
- b. SAS No. 39, *Audit Sampling* (AICPA, *Professional Standards*, vol. 1, AU sec. 350) states that nonsampling risk can be reduced to a negligible level through such factors as adequate planning and supervision and proper conduct of a firm's audit practice.
- c. SAS No. 41, *Working Papers* (AICPA, *Professional Standards*, vol. 1, AU sec. 339) establishes requirements for documenting the supervision of work performed.
- d. SAS No. 56 *Analytical Procedures* (AICPA, *Professional Standards*, vol. 1, AU sec. 329) provides guidance on the use of analytical procedures and requires their use in both the planning and review of audits.

.07 In addition, Quality Control Standard No. 1, *System of Quality Control for a CPA Firm* (AICPA, *Professional Standards*, vol. 2, QC sec. 10) provides that a CPA firm shall have a system of quality control. One of the elements of a quality control system is supervision.

Supervision as an element of quality control is defined as policies and procedures for the conduct and supervision of work to provide that the firm's work meets its standard of quality.

Phases of Supervision and Review

.08 Supervision and review are conducted in several phases:

- a. Instructing and training assistants
- b. Providing the staff with an efficient and effective approach to the performance of the engagement
- c. Keeping informed of significant problems encountered
- d. Reviewing the work performed
- e. Comparing the time spent on performing the procedures required with the budget prepared for those procedures
- f. Dealing with technical differences of opinion among firm personnel

Review Organization

.09 A firm's practice for reviewing engagements will vary depending on the size of the firm, as well as the complexity of the engagement.

.10 Some firms can justify a separate review department, while others cannot afford this functional division of duties. However, they cannot afford to omit any of the review procedures or processes. There should always be some form of reading of the reports for both professional and accounting matters as well as typographical errors after they are typed.

Firm Policy and Procedures Regarding Supervision and Review

.11 The foundation of good supervision is adequate firm policies and procedures on conducting and supervising work performed. Some examples of such policies are:

- a. Procedures for planning engagements (AICPA, *Audit and Accounting Manual*, AAM sec. 3000).
- b. Procedures for maintaining the quality of the work performed (AICPA, *Audit and Accounting Manual*, AAM sec. 11,000).
- c. Procedures for reviewing engagement workpapers and reports.

.12 The procedures for reviewing engagement workpapers and reports are broken into two separate components: the detailed review of the workpapers by the audit senior and the higher-level supervisory review performed by the manager and partner on the engagement.

Review of Workpapers

- .13 The purpose of the detailed review of the workpapers on an engagement is to determine:
- a.* All procedures in the program, be it audit, review, or compilation, were performed and documented.
 - b.* The results and conclusions reached are appropriate for the work performed.
 - c.* The results are properly summarized and in agreement with the report to be issued.

Supervisory Review

- .14 The purpose of the supervisory review is to determine that:
- a.* Professional and firm standards have been complied with.
 - b.* Accounting and auditing concerns for the client's industry were evaluated properly.
 - c.* The overall results of the procedures performed are appropriate.

AAM Section 9200

Partner's Functional Area Review Program

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
I. .010 Independence			
1. Were the policies and procedures established by the firm appropriately followed? (Are the policies and procedures in accordance with the AICPA Statements on Quality Control Standards?)	_____	_____	_____
2. If the firm was not independent, was the lack of independence disclosed in a report limited to a disclaimer of opinion for a public company, or, if applicable, to a compilation report for a nonpublic company?	_____	_____	_____
3. Was any evidence noted during the audit that may indicate impaired independence (including a lack of objectivity or threatened litigation), and if so, was the matter identified and appropriately resolved?	_____	_____	_____
4. Was timely and appropriate assurance of independence of other firms engaged to perform segments of the engagement obtained?	_____	_____	_____
5. For non-SEC clients, were the fees for the prior year's services paid prior to issuance of the report for the current engagement?	_____	_____	_____
6. For SEC clients, if the fees for the prior year's services were not paid prior to the commencement of the current engagement, were the SEC rules for unpaid professional fees adhered to as well as the AICPA rules?	_____	_____	_____
II. .020 Assigning Personnel to Engagements			
1. Were the policies and procedures established by the firm appropriately followed? (Are the policies and procedures in accordance with the AICPA Statements on Quality Control Standards?)	_____	_____	_____
2. Were scheduling and staffing requirements approved on a timely basis by the appropriate person?	_____	_____	_____

- | | <u>Yes</u> | <u>No</u> | <u>N/A</u> |
|--|------------|-----------|------------|
| 3. Is the level of experience of the personnel assigned or supervision given appropriate for the auditor's assessment of the level of risk for the engagement? | _____ | _____ | _____ |
| 4. Were the personnel assigned to the engagement sufficiently trained for the technical expertise required? | _____ | _____ | _____ |

III. .030 Consultation

- | | | | |
|---|-------|-------|-------|
| 1. Were the policies and procedures established by the firm appropriately followed? (Are the policies and procedures in accordance with the AICPA Statements on Quality Control Standards?) | _____ | _____ | _____ |
| 2. If, according to firm policy, consultation was required, was appropriate consultation made and documented? | _____ | _____ | _____ |
| 3. If a difference of opinion on a practice problem existed between engagement personnel and a specialist or other consultant, was the difference resolved in accordance with firm policy and appropriately documented? | _____ | _____ | _____ |

IV. .040 Supervision

- | | | | |
|--|-------|-------|-------|
| 1. Were the policies and procedures established by the firm appropriately followed? (Are the policies and procedures in accordance with the AICPA Statements on Quality Control Standards?) | _____ | _____ | _____ |
| 2. Was audit planning adequately documented in the working papers, including any changes in the original plan? | _____ | _____ | _____ |
| 3. Were appropriate personnel assigned to the engagement involved in the planning process? | _____ | _____ | _____ |
| 4. Was background information related to a specialized industry developed or, if information was obtained from prior engagements, was it updated for changed circumstances (e.g., proposed work program, manpower requirements, etc.)? | _____ | _____ | _____ |
| 5. Was the overall audit plan approved by the appropriate person and conveyed to the engagement staff? | _____ | _____ | _____ |
| 6. Was adequate supervision provided considering the background and experience of personnel assigned to the engagement? | _____ | _____ | _____ |
| 7. If specialized skills were used (e.g., computer auditing, statistical sampling, etc.) were they evaluated by persons with training in these areas? (SAS No. 48 [AU sec. 311]) | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
8. Were hours charged by the partner and manager both adequate and appropriately timed to provide for planning and supervision as the job progressed?	_____	_____	_____
9. Were the form and content of the workpapers adequate and prepared in accordance with firm policy?	_____	_____	_____
10. If required by firm policy, were all forms, checklists, and questionnaires for the following areas adequately completed and modified, where appropriate, for the engagement:			
a. Planning checklist?	_____	_____	_____
b. Consideration of the internal control structure?	_____	_____	_____
c. Audit work programs?	_____	_____	_____
d. Financial statement disclosures?	_____	_____	_____
e. Time budgets and progress reports?	_____	_____	_____
f. Workpapers and financial statement reviews?	_____	_____	_____
11. If standardized forms, checklists, etc., were not used for any of the above areas, is there other adequate documentation?	_____	_____	_____
12. Was the guidance in the relevant literature, including AICPA audit and accounting guides, considered during the engagement?	_____	_____	_____
13. Was an appropriate review made of the report and financial statements to determine that they conform to professional standards and firm policy?	_____	_____	_____

V. .050 Professional Development

1. Were the policies and procedures established by the firm appropriately followed? (Are the policies and procedures in accordance with the AICPA Statements on Quality Control Standards?)	_____	_____	_____
2. Does it appear that there was adequate on-the-job training (consider such things as pre- and post-audit conferences, tour of client's facilities, monitoring of staff progress, etc.)?	_____	_____	_____
3. Were the staff on the engagement properly evaluated based on the work performed?	_____	_____	_____

Yes No N/A

VI. .060 Acceptance and Continuance of Clients

- | | | | |
|---|-------|-------|-------|
| 1. Were the policies and procedures established by the firm appropriately followed? (Are the policies and procedures in accordance with the AICPA Statements on Quality Control Standards?) | _____ | _____ | _____ |
| 2. Did the firm comply with its Quality Review's guidelines for acceptance and continuance of clients? | _____ | _____ | _____ |

This audit engagement has been completed in accordance with professional standards and firm policy.

Partner _____ Date _____

AAM Section 9210

Partner's Engagement Review Program

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
I. General Procedures			
A. .010 General			
1. Has the "Partner Functional Area Review Program" been completed? (Section 9200)	_____	_____	_____
2. In planning the audit engagement, were the following matters properly considered:			
a. Matters affecting the environment in which the entity operates, such as accounting practices, economic conditions, government regulations, contractual obligations and technological changes? (SAS No. 22 [AU sec. 311])	_____	_____	_____
b. Matters affecting the entity's operations, such as legal organization and types of services? (SAS No. 22 [AU sec. 311])	_____	_____	_____
c. Preliminary judgment about materiality levels for audit purposes? (SAS No. 47 [AU sec. 312])	_____	_____	_____
d. Consideration of the internal control structure? (SAS No. 55 [AU sec. 319])	_____	_____	_____
e. Conditions that may require extension or modification of audit tests, such as the possibility of material errors or irregularities and management's ability to override controls? (SAS No. 53 [AU sec. 316])	_____	_____	_____
f. Other audit risks?	_____	_____	_____
3. If the firm succeeded a predecessor accountant, did the firm:			
a. Communicate with the predecessor accountant to ascertain whether there were disagreements between the predecessor accountant and the entity's management on accounting or auditing matters and consider the implications of such matters in accepting the client?	_____	_____	_____
b. Make other inquiries of the predecessor accountant on significant matters?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Satisfy itself on the fair presentation of opening balances, such as by reviewing the predecessor accountant's working papers?	_____	_____	_____
4. Did the firm obtain an understanding of the internal control structure which consists of the control environment, the accounting system, and control procedures? (SAS No. 55 [AU sec. 319])	_____	_____	_____
a. Was the understanding of the internal control structure documented? (SAS No. 55 [AU sec. 910])	_____	_____	_____
b. Did the firm assess the control risk? (SAS No. 55 [AU sec. 319])	_____	_____	_____
c. If the firm assessed control risk at below maximum level:			
(1) Were specific internal control structure policies and procedures relevant to specific assertions that are likely to prevent or detect material misstatements identified? (SAS No. 55 [AU sec. 319])	_____	_____	_____
(2) Were adequate tests of controls to evaluate the effectiveness of such policies and procedures performed to support the assessed level of control risk? (SAS No. 55 [AU sec. 319])	_____	_____	_____
d. If the client used computer processing in significant accounting applications, did the assessment of risk in the internal control structure include an evaluation of the extent, as well as the complexity of that processing, including those, if any, of an outside service center? (SAS Nos. 44, 48, and 55 [AU secs. 324, 311, and 319])	_____	_____	_____
e. If the firm relied on the internal control structure at a service organization, was a service auditor's report obtained and appropriately considered? (SAS No. 44 [AU sec. 319])	_____	_____	_____
5. Was audit planning appropriately documented?	_____	_____	_____
6. Was a written audit program prepared? (SAS No. 22 [AU sec. 311])	_____	_____	_____
a. Was it responsive to the needs of the engagement identified during the planning process and was it developed in light of the internal control structure? (SAS No. 55 [AU sec. 319])	_____	_____	_____
b. Was consideration given to applicable assertions in developing audit objectives and in designing	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
substantive tests? (SAS No. 31, paragraphs 9 through 13 [AU sec. 326.09-.13])	_____	_____	_____
c. Were tests considered in light of SAS No. 45 (AU sec. 334) regarding related party transactions?	_____	_____	_____
d. If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances?	_____	_____	_____
7. If statistical or nonstatistical sampling was used in tests of controls (SAS No. 39, paragraphs 31 through 42 [AU sec. 350.31-.42]):			
a. In planning the sampling application, was appropriate consideration given to the relationship of the sample to the objective of the test, maximum rate of deviation, allowable risk of assessing control risk too low, and likely rate of deviations?	_____	_____	_____
b. Was the sample selected in such a way that it could be expected to be representative of the population?	_____	_____	_____
c. Were the results of the sample evaluated as to their effect on the nature, timing, and extent of planned substantive procedures?	_____	_____	_____
d. In evaluating the sample, was appropriate consideration given to items for which the planned test or appropriate alternative procedure could not be performed, for example, because the documentation was missing?	_____	_____	_____
e. Was the documentation of the foregoing considerations in accordance with firm policy?	_____	_____	_____
8. If statistical or nonstatistical sampling was used for substantive tests of details (SAS No. 39, paragraphs 15 through 30 [AU sec. 350.15-.30]):			
a. In planning the sampling application, was appropriate consideration given to the relationship of the sample to the audit objective, preliminary judgments about materiality levels, auditor's allowable risk of incorrect acceptance, and characteristics of the population?	_____	_____	_____
b. Was the sample selected in such a way that it could be expected to be representative of the population?	_____	_____	_____
c. Were the misstatement results of the sample projected to the items from which the sample was selected?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
d. In evaluating the sample, was appropriate consideration given to items for which the planned substantive tests or appropriate alternate procedures could not be performed?	_____	_____	_____
e. In the evaluation of whether the financial statements may be materially misstated, was appropriate consideration given, in the aggregate, to projected misstatement results from all audit sampling applications and to all known misstatements from nonsampling applications?	_____	_____	_____
f. Was the documentation of the foregoing considerations in accordance with firm policy?	_____	_____	_____
9. Were the guidelines of SAS No. 56, <i>Analytical Procedures</i> (AU sec. 329), followed in the performance of analytical procedures for the following:			
a. The planning of the audit?	_____	_____	_____
b. Use as a substantive test?	_____	_____	_____
c. Overall review of the audit?	_____	_____	_____
10. Did the firm obtain timely and appropriate responses from the auditee's attorney concerning litigation, claims, and assessments? (SAS No. 12 [AU sec. 337])	_____	_____	_____
11. Have all procedures called for in the audit program been signed?	_____	_____	_____
12. Have all questions, exceptions, or notes, if any, posed during the audit been followed up and resolved, including consideration of the views obtained from responsible officials of the organization, program, activity, or function audited concerning the auditor's findings, conclusions and recommendations?	_____	_____	_____
13. Did the firm obtain a timely appropriate letter of representation from management? (SAS No. 19 [AU sec. 333])	_____	_____	_____
14. Does it appear that appropriate consideration was given to all past adjustments and to the risk that the current period's financial statements are materially misstated when prior-period likely misstatements are considered with likely misstatements arising in the current period? (SAS No. 47 [AU sec. 312])	_____	_____	_____
15. Were errors, irregularities, or illegal acts, if any, followed up in accordance with SAS Nos. 53 and 54 (AU secs. 316 and 317)?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
16. Have reportable conditions, if any, in the internal control structure been communicated to the audit committee or to individuals with a level of authority and responsibility equivalent to an audit committee in organizations that do not have one? (SAS No. 60 [AU sec. 325])	_____	_____	_____
17. If required by firm policy, was an appropriate engagement letter issued?	_____	_____	_____
18. Were communications of internal control structure related matters issued in accordance with SAS No. 60 (AU sec. 325)?	_____	_____	_____
19. If consideration was given to the work of internal auditors in determining the scope of the audit, was it done in accordance with SAS No. 9 (AU sec. 322)?	_____	_____	_____
20. If specialized skills were used (e.g., computer auditing, statistical sampling, etc.), were they properly evaluated by persons with training in these areas? (SAS No. 39 [AU sec. 350])	_____	_____	_____
21. Did the planning and execution of the engagement include an assessment of the risk of errors and irregularities and management's ability to override control procedures? (SAS No. 53 [AU sec. 316])	_____	_____	_____
22. Did the audit strategy and expected conduct and scope of the audit reflect the following assessments:			
a. The risk of material misstatement in the financial statements?	_____	_____	_____
b. The risk of management misrepresentation?	_____	_____	_____
23. Was the audit designed to provide reasonable assurance of detecting material misstatements?	_____	_____	_____
24. If it has been determined that an audit adjustment is, or may be, an irregularity but it has also been determined that the effect on the financial statements could not be material, have the following been performed:			
a. Referral of the matter to an appropriate level of management that is at least one level above those involved?	_____	_____	_____
b. Obtain satisfaction that, in view of the organizational position of the likely perpetrator, the irregularity has no implications for other aspects of the audit or that those implications have been adequately considered?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
25. If it has been determined that an audit adjustment is, or may be, an irregularity, and the auditor has either determined that the effect could be material or has been unable to evaluate the potential materiality, have the following been performed:			
a. Consideration of the implications for other aspects of the audit?	_____	_____	_____
b. Discussions of the matter and the approach to further investigate the irregularity with an appropriate level of management that is at least one level above those involved?	_____	_____	_____
c. Has sufficient competent evidential matter been obtained to determine whether, in fact, material irregularities exist and, if so, their effect?	_____	_____	_____
d. If appropriate, suggestions that the client consult with legal counsel on matters concerning questions of law?	_____	_____	_____
26. When it has been concluded that an illegal act has or is likely to have occurred, have the following been considered:			
a. The effect on the financial statements?	_____	_____	_____
b. The implications for other aspects of the audit?	_____	_____	_____
c. Communication with the audit committee?	_____	_____	_____
d. The effect on the auditor's report?	_____	_____	_____
27. If the engagement included the use of the work (domestic or international) of another office, correspondent, or affiliate:			
a. Do the instructions to the other office or firm appear adequate?	_____	_____	_____
b. Does it appear that control exercised over the work of others through supervision and review was adequate?	_____	_____	_____
c. Was there appropriate follow-up of open matters?	_____	_____	_____
d. In those cases where another firm is used, were appropriate inquiries made as to its professional reputation?	_____	_____	_____
28. Does the firm's disclosure checklist document that the audit report is properly prepared and that the financial statements are fairly stated?	_____	_____	_____
29. Were matters related to the conduct of the audit communicated to those who have responsibility for			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
oversight of the financial reporting process? (SAS No. 61 [AU sec. 380])	_____	_____	_____

II. Workpaper Areas

A. .020 Cash

- | | | | |
|---|-------|-------|-------|
| 1. Was due consideration given to cash transactions shortly before and shortly after the balance sheet date to determine that transactions were recorded in the proper period? | _____ | _____ | _____ |
| 2. Were bank accounts confirmed at the audit date; and were reconciling items existing at the balance sheet date cleared by reference to subsequent statements obtained directly from the bank? | _____ | _____ | _____ |
| 3. Do the workpapers indicate that the following were considered: | | | |
| a. Restrictions on cash balances? | _____ | _____ | _____ |
| b. Confirmation of bank credit arrangements such as compensating balances? | _____ | _____ | _____ |
| c. Review of confirmation responses for indication of related party transactions? | _____ | _____ | _____ |
| 4. Based on the assessed level of control risk, do the substantive tests of cash appear adequate? | _____ | _____ | _____ |

B. .030 Receivables

- | | | | |
|---|-------|-------|-------|
| 1. Was a summary prepared (or obtained) properly classifying receivables (i.e., notes and accounts receivable; trade; officers, directors, and employees; parent and subsidiary companies; other related party transactions; etc.)? | _____ | _____ | _____ |
| 2. Were accounts receivable confirmations circularized and appropriate follow-up steps taken? | _____ | _____ | _____ |
| 3. If confirmation work was performed prior to year-end, is there evidence that an adequate review was made of transactions from the confirmation date to the balance sheet date? | _____ | _____ | _____ |
| 4. If a significant number and amount of accounts receivable confirmations were not circularized, is there evidence that other auditing procedures were performed? | _____ | _____ | _____ |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. Were significant notes receivable confirmed as of the audit date?	_____	_____	_____
6. Were the results of confirmation procedures summarized in the workpapers?	_____	_____	_____
7. Was collateral (if any) for receivables examined with respect to existence, ownership, and value?	_____	_____	_____
8. Were adequate tests made of discounts and allowances?	_____	_____	_____
9. Was the reasonableness of allowances for doubtful accounts covered in the workpapers and collectibility of receivables adequately considered?	_____	_____	_____
10. Is there evidence in the workpapers that inquiry was made and consideration given to whether receivables are pledged or factored?	_____	_____	_____
11. Was receivables work correlated with the sales and inventory cut-off examination?	_____	_____	_____
12. Are notes receivable accounted for to reasonably represent the present value of the consideration exchanged and at an appropriate interest rate? (APB Opinion No. 21 [AC sec. I69])	_____	_____	_____
13. Based on the assessed level of control risk, do the substantive tests of receivables appear adequate?	_____	_____	_____

C. .040 Inventories

1. Was an inventory summary prepared (or obtained) showing basis (e.g., "costs," "market," "LIFO," "FIFO," etc.) with respect to the various classifications of inventory (e.g., finished goods, work-in-process, raw materials, etc.)?	_____	_____	_____
2. Where the physical inventory is taken at a date other than the balance sheet date (or where rotating procedures are used), do the workpapers indicate that consideration was given to inventory transactions between the inventory date(s) and the balance sheet date?	_____	_____	_____
3. Do the workpapers contain evidence that counts were correctly made and recorded (i.e., was control maintained over inventory tags or count sheets) and were test count quantities reconciled with counts reflected in final inventory?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Do the workpapers indicate that adequate tests were made of:			
a. The clerical accuracy of the compilation of the inventory?	_____	_____	_____
b. Costing methods and substantiation of costs used in pricing all elements (raw materials, work-in-process, finished goods) of the inventory?	_____	_____	_____
5. Do the workpapers indicate that a lower of cost or market test was performed (including obsolescence)?	_____	_____	_____
6. If perpetual inventory records are maintained, do the workpapers indicate that differences disclosed by the client's physical inventory (or cycle counts) are properly reflected in the accounts?	_____	_____	_____
7. Was an examination of purchase and sales commitments made, including consideration as to any possible adverse effects?	_____	_____	_____
8. Were appropriate inventory cut-off tests performed?	_____	_____	_____
9. Where applicable, were gross profit percentage tests employed to check overall valuation of inventories?	_____	_____	_____
10. Where the physical inventory in the hands of others was not observed, were inventory confirmations received (i.e., inventory in public warehouses, on consignment, etc.)?	_____	_____	_____
11. Do the working papers indicate that steps were performed to determine if any inventory is pledged?	_____	_____	_____
12. Based on the assessed level of control risk, do the substantive tests of inventory appear adequate?	_____	_____	_____

D. .050 Investments

1. Was a summary schedule prepared (or obtained) and details examined with respect to description, purchase price and data, changes during period, income market value, etc., of investments?	_____	_____	_____
2. Were all securities (including stock certificates of subsidiary companies) either examined or confirmed?	_____	_____	_____
3. Was investigation made of carrying value and possible cost impairment of long-term investments?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Do the workpapers indicate that consideration was given to indications that investments were pledged?	_____	_____	_____
5. For investments accounted for on the equity method, were financial statements and other information reviewed to support the amounts presented?	_____	_____	_____
6. Do the workpapers indicate that adequate evidential matter had been accumulated for long-term investments?	_____	_____	_____
7. Based on the assessed level of control risks, do the substantive tests of investments appear adequate?	_____	_____	_____

E. .060 *Prepaid Expenses, Intangible Assets, Deferred Charges, Etc.*

1. Were adequate tests made and/or confirmations received for all materials:			
a. Prepaid expenses?	_____	_____	_____
b. Intangible assets?	_____	_____	_____
c. Deferred charges?	_____	_____	_____
d. Other?	_____	_____	_____
2. For prepayments, intangibles, and deferred charges, is there adequate support for the deferral and amortization (or lack thereof)?	_____	_____	_____
3. If insurance policies were pledged as collateral or subjected to premium financing, were the related loans properly accounted for?	_____	_____	_____
4. Based on the assessed level of control risk, do the substantive tests of prepaid expenses, intangible assets, deferred charges, etc., appear adequate?	_____	_____	_____

F. .070 *Property, Plant, and Equipment*

1. Was a summary schedule prepared (or obtained) to show beginning balances, changes during the period, and ending balances for:			
a. Property, plant, and equipment?	_____	_____	_____
b. Accumulated depreciation?	_____	_____	_____
2. Do tests appear adequate with respect to:			
a. Additions:			
(1) Examination of supporting documents?	_____	_____	_____
(2) Physical inspection?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Retirement etc. (including examination of miscellaneous income, scrap sales, etc.)?	_____	_____	_____
c. The adequacy of current and accumulated provisions for depreciation and depletion?	_____	_____	_____
d. Compliance with control procedures?	_____	_____	_____
e. Status of idle facilities?	_____	_____	_____
3. Do the workpapers indicate the presence of liens on property?	_____	_____	_____
4. Were differences between book and tax depreciation reconciled?	_____	_____	_____
5. Based on the assessed level of control risk, do the substantive tests of property, plant, and equipment appear adequate?	_____	_____	_____

G. .080 *Current Liabilities*

1. Were accounts payable adequately tested for propriety?	_____	_____	_____
2. Was an adequate test made of subsequent transactions (i.e., cash disbursements, voucher register entries, vouchers, unpaid invoices, etc.) to determine if any material unrecorded liabilities existed?	_____	_____	_____
3. Was the payable work correlated with the purchase cutoff examination?	_____	_____	_____
4. Was consideration given to costs and expenses that might require accrual (e.g., compensated absences—see FASB Statement No. 43 [AC sec. C44]), and to whether accrued expenses were reasonably stated?	_____	_____	_____
5. Based on the assessed level of control risk, do the substantive tests of liabilities appear adequate?	_____	_____	_____

H. .090 *Long-Term Debt*

1. Were confirmations received for significant debt obligations, together with verification of interest rates, repayment period, etc.?	_____	_____	_____
2. Is there evidence that covenants to long-term debt obligations are being complied with?	_____	_____	_____
3. Have leases been examined to determine that capital leases have been properly accounted for? (FASB Statement No. 13, paragraphs 6–14 [AC sec. L10.102–.109 and .112])	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Do the workpapers include evidence as to compliance with any loan restrictions?	_____	_____	_____
5. Based on the assessed level of control risk, do the substantive tests of long-term debt appear adequate?	_____	_____	_____
I. .100 <i>Deferred Credits</i>			
1. Do the workpapers indicate that:			
a. The basis of deferring income is reasonable and on a consistent basis from year to year?	_____	_____	_____
b. Deferrals have been established on a reasonable basis?	_____	_____	_____
2. Based on the assessed level of control risk, do the substantive tests of deferred credits appear adequate?	_____	_____	_____
J. .110 <i>Income Taxes</i>			
1. Were current and deferred tax accrual accounts and related provisions analyzed and reviewed as to adequacy?	_____	_____	_____
2. Based on the assessed level of control risk, do the substantive tests of income taxes appear adequate?	_____	_____	_____
K. .120 <i>Commitments and Contingencies</i>			
1. Do the workpapers include indication of the following:			
a. Inspection of minutes of meetings of the stockholders, board of directors, and executive and other committees of the board?	_____	_____	_____
b. Inspection of contracts, loan agreements, leases, and correspondence from taxing and other governmental agencies, and similar documents?	_____	_____	_____
c. Accumulation and analysis of confirmation responses from banks and lawyers?	_____	_____	_____
d. Inquiry and discussion with management (including management's written representations concerning liabilities and litigation, claims, and assessments)?	_____	_____	_____
e. Inspection of other documents for possible guarantees by the client?	_____	_____	_____
2. Is there indication that procedures were performed to uncover the need for recording or disclosure of			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
events subsequent to the date of the financial statements? (SAS No. 1, sec. 560.10–.12 [AU sec. 560.10–.12])	_____	_____	_____
3. Based on the assessed level of control risk, do the substantive tests of commitments and contingencies appear adequate?	_____	_____	_____
L. .130 Capital Accounts			
1. Were changes in capitalized accounts checked to authorizations?	_____	_____	_____
2. Do the workpapers indicate that adequate inquiries were made appropriately as to:			
a. Stock options?	_____	_____	_____
b. Warrants?	_____	_____	_____
c. Rights?	_____	_____	_____
d. Redemptions?	_____	_____	_____
e. Conversion Privileges?	_____	_____	_____
3. Based on the assessed level of control risk, do the substantive tests of capital accounts appear adequate?	_____	_____	_____
M. .140 Income and Expenses			
1. Were tests made of payrolls, including account distribution?	_____	_____	_____
2. With regard to pension and profit sharing plans (including impact of ERISA), do tests made of the expense and liabilities appear adequate?	_____	_____	_____
3. Were revenue and expenses for the period compared with those of the preceding period and reviewed for reasonableness; were significant fluctuations explained?	_____	_____	_____
4. Was adequate consideration given to review of the client's revenue recognition policy and unusual sales transactions?	_____	_____	_____
5. Has adequate consideration been given to loss contingencies in accordance with FASB Statement No. 5 (AC sec. C59)?	_____	_____	_____
6. Based upon the assessed level of control risk, do the substantive tests (review, analysis, and casting) of income and expense appear adequate?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
N. .150 Other			
1. Were procedures applied to supplementary information in accordance with SAS No. 52 (AU sec. 558), as applicable?	_____	_____	_____
2. If the work of a specialist was used, was the effect of the specialist's work on the auditor's report considered in accordance with SAS No. 11, paragraphs 9-12 (AU sec. 336.09-.12)?	_____	_____	_____
3. Were specific procedures applied for determining the existence of related parties and examining identified related party transactions? (SAS No. 45 [AU sec. 334])	_____	_____	_____
4. Was the guidance in SAS No. 47 (AU sec. 312) regarding audit risk and materiality considered during the planning and performance of the engagement?	_____	_____	_____

This audit engagement has been completed in accordance with professional standards and firm policy.

Partner _____ Date _____

AAM Section 9220

Partner's Engagement Review Program for Not-for-Profit Organizations

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
I. General Audit Procedures			
A. .010 General			
1. Has the "Partner Functional Area Review Program" been completed? (Section 9200)	_____	_____	_____
2. In planning the audit engagement, were the following matters properly considered:			
a. Matters affecting the environment in which the entity operates, such as accounting practices, economic conditions, government regulations, contractual obligations and technological changes? (SAS No. 22 [AU sec. 311])	_____	_____	_____
b. Matters affecting the entity's operations, such as legal organization and types of services? (SAS No. 22 [AU sec. 311])	_____	_____	_____
c. Preliminary judgment about materiality levels for audit purposes? (SAS No. 47 [AU sec. 312])	_____	_____	_____
d. Consideration of the internal control structure? (SAS No. 55 [AU sec. 319])	_____	_____	_____
e. Conditions that may require extension or modification of audit tests, such as the possibility of material errors or irregularities and management's ability to override controls? (SAS No. 53 [AU sec. 316])	_____	_____	_____
f. Other audit risks?	_____	_____	_____
3. If the firm succeeded a predecessor accountant, did the firm:			
a. Communicate with the predecessor accountant to ascertain whether there were disagreements between the predecessor accountant and the entity's management on accounting or auditing matters and consider the implications of such matters in accepting the client?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Make other inquiries of the predecessor accountant on significant matters?	_____	_____	_____
c. Satisfy itself on the fair presentation of opening balances, such as by reviewing the predecessor accountant's working papers?	_____	_____	_____
4. Did the firm obtain an understanding of the internal control structure which consists of the control environment, the accounting system, and control procedures? (SAS No. 55 [AU sec. 319])	_____	_____	_____
a. Was the understanding of the internal control structure documented? (SAS No. 55 [AU sec. 319])	_____	_____	_____
b. Did the firm assess the control risk? (SAS No. 55 [AU sec. 319])	_____	_____	_____
c. If the firm assessed control risk at below maximum level:			
(1) Were specific internal control structure policies and procedures relevant to specific assertions that are likely to prevent or detect material misstatements identified? (SAS No. 55 [AU sec. 319])	_____	_____	_____
(2) Were adequate tests of controls to evaluate the effectiveness of such policies and procedures performed to support the assessed level of control risk? (SAS No. 55 [AU sec. 319])	_____	_____	_____
d. If the client used computer processing in significant accounting applications, did the assessment of risk in the internal control structure include an evaluation of the extent, as well as the complexity of that processing, including those, if any, of an outside service center? (SAS Nos. 44, 48, and 55 [AU secs. 324, 311, and 319])	_____	_____	_____
e. If the firm relied on the internal control structure at a service organization, was a service auditor's report obtained and appropriately considered? (SAS No. 44 [AU sec. 324])	_____	_____	_____
5. Was audit planning appropriately documented?	_____	_____	_____
6. Was a written audit program prepared? (SAS No. 22 [AU sec. 311])	_____	_____	_____
a. Was it responsive to the needs of the engagement identified during the planning process and was it developed in light of the internal control structure? (SAS No. 55 [AU sec. 319])	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Was consideration given to applicable assertions in developing audit objectives and in designing substantive tests? (SAS No. 31, paragraphs 9 through 13 [AU sec. 326.09–.13])	_____	_____	_____
c. Were tests considered in light of SAS No. 45 (AU sec. 334) regarding related party transactions?	_____	_____	_____
d. If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances?	_____	_____	_____
7. If statistical or nonstatistical sampling was used in a test of controls (SAS No. 39, paragraphs 31 through 42 [AU sec. 350.31–.42]):			
a. In planning the sampling application, was appropriate consideration given to the relationship of the sample to the objective of the test, maximum rate of deviation, allowable risk of assessing control risk too low, and likely rate of deviations?	_____	_____	_____
b. Was the sample selected in such a way that it could be expected to be representative of the population?	_____	_____	_____
c. Were the results of the sample evaluated as to their effect on the nature, timing, and extent of planned substantive procedures?	_____	_____	_____
d. In evaluating the sample, was appropriate consideration given to items for which the planned test or appropriate alternative procedure could not be performed, for example, because the documentation was missing?	_____	_____	_____
e. Was the documentation of the foregoing considerations in accordance with firm policy?	_____	_____	_____
8. If statistical or nonstatistical sampling was used for substantive tests of details (SAS No. 39, paragraphs 15 through 30 [AU sec. 350.15–.30]):			
a. In planning the sampling application, was appropriate consideration given to the relationship of the sample to the audit objective, preliminary judgments about materiality levels, auditor’s allowable risk of incorrect acceptance, and characteristics of the population?	_____	_____	_____
b. Was the sample selected in such a way that it could be expected to be representative of the population?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Were the misstatement results of the sample projected to the items from which the sample was selected?	_____	_____	_____
d. In evaluating the sample, was appropriate consideration given to items for which the planned substantive tests or appropriate alternative procedure could not be performed?	_____	_____	_____
e. In the evaluation of whether the financial statements may be materially misstated, was appropriate consideration given, in the aggregate, to projected misstatement results from all audit sampling applications and to all known misstatements from nonsampling applications?	_____	_____	_____
f. Was the documentation of the foregoing considerations in accordance with firm policy?	_____	_____	_____
9. Were the guidelines of SAS No. 56, <i>Analytical Procedures</i> (AU sec. 329), followed in the performance of analytical procedures for:			
a. The planning of the audit?	_____	_____	_____
b. Use as a substantive test?	_____	_____	_____
c. Overall review of the audit?	_____	_____	_____
10. Did the firm obtain timely and appropriate responses from the auditee's attorney concerning litigation, claims, and assessments? (SAS No. 12 [AU sec. 337])	_____	_____	_____
11. Have all procedures called for in the audit program been signed?	_____	_____	_____
12. Have all questions, exceptions, or notes, if any, posed during the audit been followed up and resolved, including consideration of the views obtained from responsible officials of the organization, program, activity, or function audited concerning the auditor's findings, conclusions, and recommendations?	_____	_____	_____
13. Did the firm obtain a timely and appropriate letter of representation from management? (SAS No. 19 [AU sec. 333])	_____	_____	_____
14. Does it appear that appropriate consideration was given to all past adjustments and to the risk that the current period's financial statements are materially misstated when prior-period likely misstatements are considered with likely misstatements arising in the current period? (SAS No. 47 [AU sec. 312])	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
15. Were errors, irregularities, or illegal acts, if any, followed up in accordance with SAS Nos. 53 and 54 (AU secs. 316 and 317)?	_____	_____	_____
16. Have reportable conditions, if any, in the internal control structure been communicated to the audit committee or to individuals with a level of authority and responsibility equivalent to an audit committee in organizations that do not have one? (SAS No. 60 [AU sec. 325])	_____	_____	_____
17. If required by firm policy, was an appropriate engagement letter issued?	_____	_____	_____
18. Were communications of internal control structure related matters issued in accordance with SAS No. 60 (AU sec. 325)?	_____	_____	_____
19. If consideration was given to the work of internal auditors in determining the scope of the audit, was it done in accordance with SAS No. 9 (AU sec. 322)?	_____	_____	_____
20. If specialized skills were used (e.g., computer auditing, statistical sampling, etc.), were they properly evaluated by persons with training in these areas? (SAS No. 39 [AU sec. 350])	_____	_____	_____
21. Did the planning and execution of the engagement include an assessment of the risk of errors and irregularities and management's ability to override control procedures? (SAS No. 53 [AU sec. 316])	_____	_____	_____
22. Did the audit strategy and expected conduct and scope of the audit reflect the following assessments:			
a. The risk of material misstatement in the financial statements?	_____	_____	_____
b. The risk of management misrepresentation?	_____	_____	_____
23. Was the audit designed to provide reasonable assurance of detecting material misstatements?	_____	_____	_____
24. If it has been determined that an audit adjustment is or may be an irregularity but it has also been determined that the effect on the financial statements could not be material, have the following been performed:			
a. Referral of the matter to an appropriate level of management that is at least one level above those involved?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Obtain satisfaction that, in view of the organizational position of the likely perpetrator, the irregularity has no implications for other aspects of the audit or that those implications have been adequately considered?	_____	_____	_____
25. If it has been determined that an audit adjustment is, or may be, an irregularity and has either determined that the effect could be material or has been unable to evaluate the potential materiality, have the following been performed:			
a. Consideration of the implications for other aspects of the audit?	_____	_____	_____
b. Discussions of the matter and the approach to further investigate the irregularity with an appropriate level of management that is at least one level above those involved?	_____	_____	_____
c. Has sufficient competent evidential matter been obtained to determine whether, in fact, material irregularities exist and, if so, their effect?	_____	_____	_____
d. If appropriate, suggestions that the client consult with legal counsel on matters concerning questions of law?	_____	_____	_____
26. When it has been concluded that an illegal act has or is likely to have occurred, have the following been considered:			
a. The effect on the financial statements?	_____	_____	_____
b. The implications for other aspects of the audit?	_____	_____	_____
c. Communication with the audit committee?	_____	_____	_____
d. The effect on the auditor's report?	_____	_____	_____
27. If the engagement included the use of the work (domestic or international) of another office, correspondent, or affiliate:			
a. Do the instructions to the other office or firm appear adequate?	_____	_____	_____
b. Does it appear that control exercised over the work of others through supervision and review was adequate?	_____	_____	_____
c. Was there appropriate follow-up of open matters?	_____	_____	_____
d. In those cases where another firm is used, were appropriate inquiries made as to its professional reputation?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
28. Does the firm's disclosure checklist document that the audit report is properly prepared and that the financial statements are fairly stated?	_____	_____	_____
29. Were matters related to the conduct of the audit communicated to those who have responsibility for oversight of the financial reporting process? (SAS No. 61 [AU sec. 380])	_____	_____	_____

II. Audits of Governmental Grantees

Note: These questions are derived from the U.S. General Accounting Office's (GAO) Government Auditing Standards ("Yellow Book") and the Office of Management and Budget, Circular A-110 (*Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations*).

A. .020 General

1. If the audit was required to be conducted in accordance with the <i>Government Auditing Standards</i> , do the auditor's report(s) include references to <i>Government Auditing Standards</i> , and appropriately cover the following:			
a. The financial statements, including, where presented, the combining and individual fund financial statements?	_____	_____	_____
b. Tests of controls based solely on the evaluation of the effectiveness of the controls made as part of the audit of the financial statements?	_____	_____	_____
c. Compliance with finance-related legal and contractual provisions, including a summary of questioned costs and/or instances of noncompliance?	_____	_____	_____
d. When appropriate, did the auditors report instances or indications of illegal acts that could result in criminal prosecution of the top officials of the entity arranging the audit?	_____	_____	_____
2. If required, did the auditor's report on internal control identify the following:			
a. The scope of the auditor's work in obtaining an understanding of the internal control structure and in assessing control risk?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. The entity's significant internal control structure including those controls established to ensure compliance with laws and regulations that have a material impact on the financial statements?	_____	_____	_____
c. The reportable conditions, including the identification of material weaknesses identified as a result of the auditor's work in understanding and assessing control risk?	_____	_____	_____
3. If required, did the auditor's report on compliance include the following:			
a. A statement of positive assurance with respect to those items tested for compliance with applicable laws and regulations?	_____	_____	_____
b. Negative assurance on those items not tested?	_____	_____	_____
c. A summary of material instances of noncompliance?	_____	_____	_____
4. If required by contractual obligations, were findings presented in accordance with the guidance in the <i>Government Auditing Standards</i> regarding reporting on economy and efficiency audits and program results audits?	_____	_____	_____
5. Was interfund activity properly reviewed and were differences between total interfund receivables and total interfund payables investigated and resolved?	_____	_____	_____
6. If applicable, were adequate tests of controls with applicable laws and regulations made?	_____	_____	_____
7. Were all reportable conditions in the internal control structure and all identified instances of noncompliance with applicable laws and regulations:			
a. Adequately evaluated and documented?	_____	_____	_____
b. Appropriately reported in accordance with applicable standards? (SAS No. 60 [AU sec. 325]; GAO's <i>Government Auditing Standards</i> , pages 5-6 and 5-7; OMB A-110, Attachment F)	_____	_____	_____
8. Do the workpapers indicate that consideration was given to prior audits of government financial assistance programs that disclosed questionable or disallowed costs, or instances of noncompliance?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
III. Workpaper Areas			
A. .030 Cash			
1. Was due consideration given to cash transactions shortly before and shortly after the balance sheet date to determine that transactions were recorded in the proper period?	_____	_____	_____
2. Were bank accounts confirmed and were reconciling items existing at the balance sheet date cleared by reference to subsequent statements obtained directly from the bank or obtained from the client and appropriately tested?	_____	_____	_____
3. Do the workpapers indicate that the following were considered:			
a. Restrictions on cash balances?	_____	_____	_____
b. Confirmation of bank credit arrangements such as compensating balances?	_____	_____	_____
c. Review of confirmation responses for indication of related-party transactions?	_____	_____	_____
d. Confirmation of liabilities and contingent liabilities to banks?	_____	_____	_____
e. Authorization for interfund cash transactions?	_____	_____	_____
f. Determination that all cash accounts have been identified and appropriately recorded?	_____	_____	_____
4. Based on the assessed level of control risk, do the substantive tests of cash appear adequate?	_____	_____	_____
B. .040 Receivables			
1. Were accounts receivable circularized and appropriate follow-up steps taken, including second requests and alternate procedures?	_____	_____	_____
2. If confirmation work was performed prior to year-end, is there evidence that there was an adequate review of transactions from the confirmation date to the balance sheet date?	_____	_____	_____
3. If a significant number and amount of accounts receivable were not circularized, is there evidence that other auditing procedures were performed?	_____	_____	_____
4. Were significant notes receivable confirmed as of the balance sheet date?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
5. Were the results of confirmation procedures summarized in the workpapers?	_____	_____	_____
6. Was collateral (if any) for receivables examined with respect to existence, ownership, and value?	_____	_____	_____
7. Were procedures performed to provide evidence that pledged receivables are properly recorded in the appropriate funds?	_____	_____	_____
8. Was the reasonableness of allowances for doubtful accounts covered in the workpapers and collectibility of receivables adequately considered?	_____	_____	_____
9. Is there evidence in the workpapers that inquiry was made and consideration given to whether receivables are pledged, assigned, or otherwise encumbered?	_____	_____	_____
10. Was receivable work coordinated with tests of support and revenue, including cutoff tests?	_____	_____	_____
11. Were procedures performed to obtain evidence of whether notes receivable are accounted for to reasonably represent the present value of the consideration exchanged and at an appropriate interest rate?	_____	_____	_____
12. Based on the assessed level of control risks, do the substantive tests of receivables appear adequate?	_____	_____	_____

C. .050 Inventories

1. Was an inventory summary showing basis prepared or obtained?	_____	_____	_____
2. Do the workpapers indicate that a lower of cost or market test (including consideration of obsolete or slow-moving inventory) was performed?	_____	_____	_____
3. Do the workpapers indicate that there were adequate tests of:			
a. Physical observation, if material?	_____	_____	_____
b. The clerical accuracy of the compilation of the inventory?	_____	_____	_____
c. Costing methods and substantiation of costs used in pricing all inventory elements?	_____	_____	_____
4. Based on the assessed level of control risk, do the substantive tests of inventory appear adequate?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
D. .060 Investments			
1. Was a summary schedule prepared (or obtained) and details examined with respect to description, purchase price and date, changes during the period, income, market value, etc., of investments?	_____	_____	_____
2. Were all securities either examined or confirmed?	_____	_____	_____
3. Do the workpapers reflect consideration of changes in the carrying value of both investments and marketable securities and appropriateness of unrealized gains and losses that were recognized?	_____	_____	_____
4. Were realized gains and losses on dispositions of securities properly computed?	_____	_____	_____
5. Were income and realized and unrealized gains and losses from investments examined for proper allocation to the individual funds?	_____	_____	_____
6. Do the working papers indicate that consideration was given to indications that investments were pledged, restricted, or had limitations on immediate use?	_____	_____	_____
7. Do the workpapers indicate that risk of loss on repurchase agreements was properly considered?	_____	_____	_____
8. Do the workpapers indicate that repurchase security transactions were reviewed for consistency with the disclosures of the terms or circumstances of the transactions?	_____	_____	_____
9. Based on the assessed level of control risk, do the substantive tests of investments appear adequate?	_____	_____	_____
E. .070 Prepaid Expenses, Intangible Assets, Deferred Charges, Etc.			
1. Were adequate tests made and/or confirmations received for all material:			
a. Prepaid expenses?	_____	_____	_____
b. Intangible assets?	_____	_____	_____
c. Deferred charges?	_____	_____	_____
d. Other?	_____	_____	_____
2. Is there adequate support for the deferral and amortization (or lack thereof) of these types of assets?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. If insurance policies were pledged as collateral or subjected to premium financing, were the related loans properly accounted for?	_____	_____	_____
4. Based on the assessed level of control risk, do the substantive tests of prepaid expenses, intangible assets, deferred charges, etc., appear adequate?	_____	_____	_____

F. .080 *Collections of Works of Art and Similar Items*

1. If the collection is considered inexhaustible (i.e., exhibits owned by museums, art galleries, botanical gardens, etc.) and has been capitalized, do the workpapers indicate that the auditor tested the reasonableness of the collection's carrying value?	_____	_____	_____
2. If the collection is considered exhaustible and has been capitalized, do the workpapers indicate that the auditor tested the reasonableness of the collection's carrying value and related amortization?	_____	_____	_____
3. Are the tests adequate with respect to acquisitions and deaccessions?	_____	_____	_____
4. If the collection is capitalized:			
<i>a.</i> Were physical inventories observed at all locations where relatively large amounts are located?	_____	_____	_____
<i>b.</i> Do the workpapers contain evidence that counts were correctly made and recorded (i.e., was control over inventory tags or count sheets maintained) and were test count quantities reconciled with the quantities reflected in the final inventory?	_____	_____	_____
5. If the collection is considered inexhaustible and has been capitalized, do the workpapers indicate that the auditor:			
<i>a.</i> Evaluated the internal controls over the collection?	_____	_____	_____
<i>b.</i> Observed a physical inventory at all locations where large amounts are located?	_____	_____	_____
6. Based on the assessed level of control risk, do the substantive tests of collections of works of art and similar items appear adequate?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
G. .090 Property and Equipment			
1. Was a summary schedule by source prepared (or obtained) to show beginning balances, changes during the period and ending balance for:			
a. Property and equipment?	_____	_____	_____
b. Accumulated depreciation (where applicable)?	_____	_____	_____
2. Do tests appear adequate with respect to the following:			
a. Additions by the examination of supporting documents and/or physical inspection?	_____	_____	_____
b. Retirements (including examination of miscellaneous income, scrap sales, and restrictions on disposals by donors, grantors, or governmental agencies)?	_____	_____	_____
c. The adequacy of current and accumulated provisions for depreciation (where applicable)?	_____	_____	_____
d. Valuation of assets not previously capitalized?	_____	_____	_____
3. Do the workpapers indicate that the auditor considered the possibility that property was subject to liens or restrictions by donors, grantors, or governmental agencies?	_____	_____	_____
4. Was a review made to determine that capital expenditures are classified in the proper fund accounts?	_____	_____	_____
5. Based on the assessed level of control risk, do the substantive tests of property, plant, and equipment appear adequate?	_____	_____	_____

H. .100 Liabilities

1. Were accounts payable adequately tested for propriety?	_____	_____	_____
2. Were liabilities properly classified as current or long-term and in the proper fund?	_____	_____	_____
3. Was an adequate test of subsequent transactions (i.e., cash disbursements, voucher register entries, vouchers, unpaid invoices, etc.) made to determine if any unrecorded liabilities existed that were material individually or in the aggregate in relation to the financial statement?	_____	_____	_____
4. Was consideration given to expenditures and expenses that might require accrual (e.g., pensions or			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
compensated absences) and to whether accrued expenses were reasonably stated?	_____	_____	_____
5. Were procedures performed to determine whether tax deferred annuity plans are appropriately calculated to conform with GAAP and IRS regulations?	_____	_____	_____
6. Were confirmations for significant notes and bonds payable, together with verification of interest rates, repayment periods, etc., received?	_____	_____	_____
7. Were audit procedures performed to obtain evidence of whether debt obligations were accounted for to represent reasonably the present value of the consideration exchanged and an appropriate interest rate?	_____	_____	_____
8. Is there evidence that covenants in debt obligations are being complied with?	_____	_____	_____
9. Was consideration given to any liabilities (including the effect of any temporary differences) resulting from the federal excise tax on investment income and any federal and state taxes on unrelated business income?	_____	_____	_____
10. Do the tests of interfund borrowings appear adequate with respect to the following:			
a. Legal restrictions, if any, on such borrowings?	_____	_____	_____
b. Authorization?	_____	_____	_____
c. Classification?	_____	_____	_____
d. Collectibility of amounts due from other funds?	_____	_____	_____
e. Appropriateness of interest accruals and payments?	_____	_____	_____
11. Based on the assessed level of control risk, do the substantive tests of liabilities appear adequate?	_____	_____	_____

I. .110 *Deferred Revenue*

1. Do the workpapers indicate that consideration was given to whether the basis of deferring revenue is reasonable and consistent with the donors' or grantors' restrictions?	_____	_____	_____
2. Was consideration given to matching requirements, if any?	_____	_____	_____
3. Do the workpapers indicate that consideration was given to the appropriateness of the amounts of restricted gifts, grants, bequests, donations, or other income recognized as current revenue or support?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
4. Based on the assessed level of control risk, do the substantive tests of deferred revenue appear adequate?	_____	_____	_____

J. .120 *Commitments and Contingencies*

1. Do the workpapers include indication of the following:			
a. Inspection of minutes of meetings of the governing board and other appropriate committees of the board?	_____	_____	_____
b. Inspection of contracts, loan agreements, leases, and correspondence from donors, grantors, and governmental agencies, and similar documents?	_____	_____	_____
c. Accumulation and analysis of confirmation responses from banks and lawyers?	_____	_____	_____
d. Inquiry and discussion with management (including management's written representations concerning liabilities and litigation, claims, and assessments)?	_____	_____	_____
2. Is there indication that procedures were performed to uncover the need for recording or disclosing events subsequent to the date of the financial statements? (SAS No. 1, sec. 560.10-.12 [AU sec. 560.10-.12])	_____	_____	_____
3. Did the auditor consider evidence of the entity's activities (such as lobbying) which might cause the entity to lose its tax-exempt status or be subject to penalties or taxes?	_____	_____	_____
4. If the entity is a private foundation, as defined by IRC sec. 509, did the auditor determine whether the entity complied with IRS regulations concerning required distribution of income and prohibited activities?	_____	_____	_____
5. Has adequate consideration been given to loss contingencies in accordance with SFAS No. 5 (AC sec. C59)?	_____	_____	_____
6. Based on the assessed level of control risk, do the substantive tests of commitments and contingencies appear adequate?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
K. .130 Fund Balance			
1. Where appropriate, were authorizations of changes in reserves and designated balances examined?	_____	_____	_____
2. Do the workpapers indicate that there were adequate inquiries, where appropriate, as to proper classification, description and disclosure of components of the fund balance?	_____	_____	_____
3. Do the workpapers indicate that fund transfers were properly approved and recorded?	_____	_____	_____
4. If an endowment fund is maintained, do the workpapers indicate that fund income is distributed to unrestricted and restricted funds in accordance with donors' stipulations?	_____	_____	_____
5. Based on the assessed level of control risk, do the substantive tests of fund balances appear adequate?	_____	_____	_____
L. .140 Revenues, Expenses, Support, and Capital Additions			
1. Were revenues and expenses for the period compared with those of the preceding period and reviewed for reasonableness and were significant fluctuations explained?	_____	_____	_____
2. Was adequate consideration given to the following:			
a. The entity's revenue recognition policy?	_____	_____	_____
b. Income recognition on transactions where the earnings process is not complete?	_____	_____	_____
3. Do the workpapers indicate that consideration was given to the valuation and classification of revenue derived from service fees, such as subscription and membership income, and sales of publications and other items?	_____	_____	_____
4. If the entity is reimbursed by a third party for costs incurred in connection with providing services to others:			
a. Were pertinent sections of significant third-party contracts reviewed to determine the basis for reimbursement?	_____	_____	_____
b. Were cost reimbursement reports and the underlying support reviewed?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Were appropriate allocations made of indirect costs among the entity's programs?	_____	_____	_____
5. Do the workpapers indicate that the auditor considered actual receipt of, propriety of, and any restrictions placed on amounts received during the current period from:			
a. Cash contributions?	_____	_____	_____
b. Donated services?	_____	_____	_____
c. Gifts of securities, materials, facilities, and other nonmonetary items?	_____	_____	_____
d. Future interests and interest-free loans?	_____	_____	_____
6. If expenses are classified by function, did the auditor adequately test the classifications and allocations?	_____	_____	_____
7. If grants are awarded to other organizations, did the auditor review the following:			
a. The classification of the grants?	_____	_____	_____
b. The effect of the grantees' compliance or non-compliance with performance requirements?	_____	_____	_____
8. Were tests of payrolls, including account distribution, made?	_____	_____	_____
9. With regard to pension plans, do the tests made of the expense and liabilities appear adequate?	_____	_____	_____
10. Based upon the assessed level of control risk, did the substantive tests (review, analysis, and testing) of revenues and expenditures/expense appear adequate?	_____	_____	_____

M. .150 Other

1. Have leases been examined to determine that capital, sales, and direct financing leases have been properly accounted for?	_____	_____	_____
2. Were procedures applied to additional information in accordance with SAS No. 29 (AU sec. 551), as applicable?	_____	_____	_____
3. If the work of a specialist was used, did the auditor apply the guidance in SAS No. 11 (AU sec. 336)?	_____	_____	_____
4. Were specific procedures for determining the existence of related parties and examining identified re-			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
lated-party transactions applied? (SAS No. 45 [AU sec. 334])	_____	_____	_____
5. If the entity is affiliated or otherwise financially related to other entities, did the auditor consider the need for combined financial statements or disclosure of the relationship?	_____	_____	_____

This audit engagement has been completed in accordance with professional standards and firm policy.

Partner _____ Date _____

AAM Section 9230

Partner's Engagement Review Program for Local Governmental Units

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
I. General Audit Procedures			
A. .010 General			
1. Has the "Partner's Functional Area Review Program" been completed? (Section 9200)	_____	_____	_____
2. In planning the audit engagement, did the firm properly consider the following:			
a. Matters affecting the government, such as specialized accounting practices, economic conditions, federal and state laws and regulations, and technological changes? (SAS No. 22 [AU sec. 311])	_____	_____	_____
b. Definition of the reporting entity indicating the related organizations, functions, and activities which are either included or excluded from the financial statements in accordance with GASB Cod. Sec. 2100?	_____	_____	_____
c. Preliminary judgment about materiality levels for audit purposes? (SAS No. 47 [AU sec. 312])	_____	_____	_____
d. Anticipated reliance on internal control structure? (SAS No. 55 [AU sec. 319])	_____	_____	_____
e. Conditions that may require extension or modification of audit tests, such as the possibility of material errors or irregularities and management's ability to override controls? (SAS No. 53 [AU sec. 316])	_____	_____	_____
f. Factors affecting the continued functioning of the government, such as legal limitations on revenue, expenditures, or debt service?	_____	_____	_____
g. Other audit risks?	_____	_____	_____
3. If the firm succeeded a predecessor accountant, did it:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
<i>a.</i> Communicate with the predecessor accountant to ascertain whether there were disagreements between the predecessor accountant and the entity's management on accounting or auditing matters and consider the implications of such matters in accepting the client?	_____	_____	_____
<i>b.</i> Make other inquiries of the predecessor accountant on significant matters?	_____	_____	_____
<i>c.</i> Satisfy itself on the fair presentation of opening balances, such as by reviewing the predecessor accountant's workpapers?	_____	_____	_____
4. If consideration was given to the work of internal auditors in determining the scope of the audit, was it done in accordance with SAS No. 9 (AU sec. 322)?	_____	_____	_____
5. If the engagement included work performed by joint auditors or by another office correspondent or affiliate of the firm:			
<i>a.</i> Do the instructions to the other office or firm appear adequate?	_____	_____	_____
<i>b.</i> Does it appear that control exercised over the work of others through supervision and review was adequate?	_____	_____	_____
<i>c.</i> Was there appropriate follow-up of open matters?	_____	_____	_____
<i>d.</i> In those cases where another firm is used, were appropriate inquiries made as to its independence and professional reputation?	_____	_____	_____
<i>e.</i> For a jointly signed audit report, are there indications that the auditor has conducted sufficient audit procedures to warrant signing the report in an individual capacity?	_____	_____	_____
6. Did the firm obtain an understanding of the internal control structure which consists of the control environment, the accounting system, and control procedures? (SAS No. 55 [AU sec. 319])			
<i>a.</i> Was the understanding of the internal control structure documented? (SAS No. 55 [AU sec. 319])	_____	_____	_____
<i>b.</i> Did the firm assess the control risk? (SAS No. 55 [AU sec. 319])	_____	_____	_____
<i>c.</i> If the firm assessed control risk at below maximum level:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(1) Were specific internal-control-structure policies and procedures relevant to specific assertions that are likely to prevent or detect material misstatements identified? (SAS No. 55 [AU sec. 319])	_____	_____	_____
(2) Were adequate tests of controls to evaluate the effectiveness of such policies and procedures performed to support the assessed level of control risk? (SAS No. 55 [AU sec. 319])	_____	_____	_____
d. If the client used computer processing in significant accounting applications, did the assessment of risk in the internal control structure include an evaluation of the extent, as well as the complexity of that processing, including those, if any, of an outside service center? (SAS Nos. 44, 48, and 55 [AU secs. 324, 311, and 319])	_____	_____	_____
e. If the firm relied on the internal control at a service organization, was a service auditor's report obtained and appropriately considered? (SAS No. 44 [AU sec. 324])	_____	_____	_____
7. Was a written audit program prepared? (SAS No. 22 [AU sec. 311])			
a. Was it responsive to the needs of the engagement identified during the planning process and in light of the internal control structure? (SAS No. 55 [AU sec. 319])	_____	_____	_____
b. Was consideration given to applicable assertions in developing audit objectives and in designing substantive tests? (SAS No. 31, paragraphs 9 through 13 [AU sec. 326.09-.13])	_____	_____	_____
c. If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances?	_____	_____	_____
d. Have all audit program procedures been signed?	_____	_____	_____
8. If statistical or nonstatistical sampling was used in performing a test of controls to evaluate the effectiveness of the internal control structure (SAS No. 55 [AU sec. 319]):			
a. In planning the sampling application, was appropriate consideration given to the relationship of the sample to the objective of the tests of controls, maximum rate of deviations, allow-			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
able risk of assessing control risk too low, overreliance, and likely rate of deviations?	_____	_____	_____
b. Was the sample selected in such a way that it could be expected to be representative of the population?	_____	_____	_____
c. Were the results of the sample evaluated as to their effect on the nature, timing, and extent of planned substantive procedures?	_____	_____	_____
d. In evaluating the sample, was appropriate consideration given to items for which the planned tests of controls or appropriate alternative procedures could not be performed, for example, because the documentation was missing?	_____	_____	_____
e. Was the documentation of the foregoing considerations in accordance with firm policy?	_____	_____	_____
9. If statistical or nonstatistical sampling was used for substantive tests and tests of applicable laws and regulations, if appropriate (SAS No. 39, paragraphs 15 through 30 [AU sec. 350.15–.30]):			
a. In planning the sampling application, was appropriate consideration given to the relationship of the sample to the audit objective, preliminary judgments about materiality levels, auditor’s allowable level of risk of incorrect acceptance, and characteristics of the population?	_____	_____	_____
b. Was the sample selected in such a way that it could be expected to be representative of the population?	_____	_____	_____
c. Were the misstatement results of the sample projected to the items from which the sample was selected?	_____	_____	_____
d. In evaluating the sample, was appropriate consideration given to items for which the planned substantive tests or appropriate alternate procedures could not be performed?	_____	_____	_____
e. In the evaluation of whether the financial statements may be materially misstated, was appropriate consideration given, in the aggregate, to projected misstatement results from all audit sampling applications and to all known misstatements from nonsampling applications?	_____	_____	_____
f. Was the documentation of the foregoing considerations in accordance with firm policy?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
10. Were the guidelines of SAS No. 56, <i>Analytical Procedures</i> (AU sec. 329), followed in the performance of analytical procedures for:			
<i>a.</i> The planning of the audit?	_____	_____	_____
<i>b.</i> Use as a substantive test?	_____	_____	_____
<i>c.</i> Overall reviews of the audit?	_____	_____	_____
11. Did the firm obtain a timely and appropriate letter of representation from management? (SAS No. 19 [AU sec. 333])	_____	_____	_____
12. Did the firm obtain timely and appropriate responses from the entity's attorney concerning litigation, claims, and assessments? (SAS No. 12 [AU sec. 337])	_____	_____	_____
13. Have all questions, exceptions, or notes, if any, posed during the audit been resolved, including consideration of views obtained from responsible officials of the entity concerning the auditor's findings, conclusions, and recommendations?	_____	_____	_____
14. Does it appear that appropriate consideration was given to all past adjustments and to the risk that the current period's financial statements are materially misstated when prior period likely misstatements are considered with likely misstatements arising in the current period? (SAS No. 47 [AU sec. 312])	_____	_____	_____
15. If applicable, were adequate tests of controls with applicable laws and regulations made?	_____	_____	_____
16. Were all reportable conditions in the internal control structure, all identified instances of noncompliance with applicable laws and regulations, and all illegal acts:			
<i>a.</i> Adequately evaluated and documented?	_____	_____	_____
<i>b.</i> Appropriately reported in accordance with applicable standards? (SAS No. 60 [AU sec. 325]; GAO's <i>Government Auditing Standards</i> , pages 5-6 and 5-7; OMB Circular A-128, paragraph 13)	_____	_____	_____

II. Compliance With the Requirements of the Single Audit Act of 1984

A. .020 *The Single Audit Act*

1. If required or deemed necessary, is there any indication that the firm discussed and agreed on the scope of the engagement with the auditee?	_____	_____	_____
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	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Did the firm, by reviewing contract files and receipts and disbursements, obtain reasonable assurance that the auditee appropriately identified all federal financial assistance and included that assistance within the audit scope?	_____	_____	_____
3. If required, does the schedule of federal financial assistance program expenditures present the following:			
a. Identification of each program as indicated in the <i>Catalog of Federal Domestic Assistance</i> (CFDA)?	_____	_____	_____
b. Other federal assistance from programs not included in the CFDA?	_____	_____	_____
c. Total expenditures for each federal financial assistance program by grantor, department, or agency?	_____	_____	_____
d. Total federal financial assistance?	_____	_____	_____
e. Other information, either required by federal program managers or otherwise deemed appropriate?	_____	_____	_____
4. Was consideration given to the accounting and auditing guidance issued by the Office of Management and Budget, including Circulars A-128 (<i>Audits of State and Local Governments</i>), A-87 (<i>Cost Principles Applicable to Grants and Contracts</i>), and A-102 (<i>Uniform Requirements for Assistance to State and Local Governments</i>)?	_____	_____	_____
5. Did the firm obtain an understanding of the internal-control-structure policies and procedures, as they relate to:			
a. Administering major federal financial assistance programs, comparable to that which the auditor would perform if he assessed control risk at below the maximum level? (SAS No. 55 [AU sec. 319])	_____	_____	_____
b. Administering non-major programs to the same extent as in question 5a above, so that at least 50% of total federal assistance program expenditures are reviewed?	_____	_____	_____
c. Other non-major federal financial assistance programs?	_____	_____	_____
6. For those programs where the control risk is assessed at the maximum level, is the firm's understanding of the internal control structure as well as the conclu-			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
sion of the control risk documented? (SAS No. 55 [AU sec. 319])	_____	_____	_____
7. For categories of controls for which the control risk is below the maximum level:			
a. Do the workpapers document the firm's understanding of the internal control structure?	_____	_____	_____
b. Were tests of controls performed for the internal control structure?	_____	_____	_____
c. Was the nature and extent of testing sufficient to enable the firm to determine if the control procedures were being applied as described?	_____	_____	_____
d. Did the auditor examine the recipient's control structure for ensuring subrecipients' compliance and obtaining and acting on subrecipients' audit reports?	_____	_____	_____
e. Do the workpapers adequately document the work performed and the conclusions reached? (GAO, pages 6-21; SAS No. 41, paragraph 5 [AU sec. 339.05])	_____	_____	_____
8. Were all reportable conditions in the internal control structure disclosed in the auditor's reports?	_____	_____	_____
9. In determining whether the entity has complied with applicable laws and regulations that may have a material effect on each major federal financial assistance program, did the auditor:			
a. Consult appropriate sources, such as the Compliance Supplement for Single Audits of State and Local Governments, statutes, regulations, and agreements covering individual programs, in order to identify the compliance requirements that apply to each major program and to determine which requirements to test?	_____	_____	_____
b. Select a representative number of charges from each major program?	_____	_____	_____
c. Perform tests to determine whether:			
(1) The amounts reported as expenditures were allowable under federal regulations and contracts?	_____	_____	_____
(2) Only eligible persons or organizations received services or benefits?	_____	_____	_____
(3) Matching requirements were met?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
(4) Federal financial reports and claims for advances and reimbursements were supported by the records supporting the financial statements?	_____	_____	_____
(5) The entity complied with each of the general requirements contained in the compliance supplement concerning:			
(a) Political activity?	_____	_____	_____
(b) Civil rights?	_____	_____	_____
(c) Davis-Bacon Act?	_____	_____	_____
(d) Cash management?	_____	_____	_____
(e) Relocation of assistance and real property acquisition?	_____	_____	_____
(f) Federal financial reports?	_____	_____	_____
d. Consider projected misstatement results from all audit sampling applications and all known misstatements from non-sampling applications?	_____	_____	_____
e. Consider whether his tests of compliance with the program's requirements appear adequate to support his report(s) on compliance?	_____	_____	_____
10. Where transactions related to non-major federal financial assistance programs have been selected during other audit procedures, have they been appropriately tested for compliance with applicable laws and regulations in connection with the audit of financial statements and evaluations of internal control structure?	_____	_____	_____
11. If warranted, did the firm communicate with the cognizant agency to avoid or minimize any disagreements or problems?	_____	_____	_____
12. Did the firm submit the report(s) to the organization audited and to those requiring or arranging for the audit within the required time?	_____	_____	_____
13. Has the firm established policies or procedures for complying with the additional requirements concerning:			
a. Retaining workpapers and reports for a minimum of three years from the date of the audit report, unless the auditor is notified in writing by the cognizant agency to extend the retention period?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Making the workpapers available upon request to the cognizant agency or its designee or the GAO at the completion of the audit?	_____	_____	_____

III. Workpaper Areas

A. .030 Cash

1. Was due consideration given to cash transactions shortly before and shortly after the balance sheet date to determine that transactions were recorded in the proper period?	_____	_____	_____
2. Were bank accounts confirmed and were reconciling items existing at the balance sheet date cleared by reference to subsequent statements?	_____	_____	_____
3. Do the workpapers indicate that the following were considered:			
a. Restrictions on cash balances?	_____	_____	_____
b. Confirmation of bank credit arrangements such as compensating balances?	_____	_____	_____
c. Review of confirmation responses for indication of related-party transactions?	_____	_____	_____
d. Confirmation of liabilities and contingent liabilities to banks?	_____	_____	_____
e. Approval of interfund cash transactions?	_____	_____	_____
f. Verification of collateral required of depository institutions for public funds?	_____	_____	_____
g. Compliance with the laws and regulations governing the deposit of public funds?	_____	_____	_____
h. Determination that all cash accounts have been identified and appropriately recorded?	_____	_____	_____
i. Review of repurchase security transactions for consistency with the disclosures on the terms or circumstances of the transactions?	_____	_____	_____
4. Based on the assessed level of control risk, do the substantive tests of cash appear adequate?	_____	_____	_____

B. .040 Receivables

1. Was a summary properly classifying receivables prepared or obtained (i.e., notes and accounts receivable, tax revenues, interfund transactions, and other related-party receivables, etc.)?	_____	_____	_____
--	-------	-------	-------

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Were accounts receivable circularized and appropriate follow-up steps taken, including second requests and alternate procedures?	_____	_____	_____
3. If confirmation work was performed prior to year-end, is there evidence that there was an adequate review of transactions from the confirmation date to the balance sheet date?	_____	_____	_____
4. If a significant number and amount of accounts receivable were not circularized, is there evidence that other auditing procedures were performed?	_____	_____	_____
5. Were significant notes receivable confirmed as of the balance sheet date?	_____	_____	_____
6. Were the results of confirmation procedures summarized in the workpapers?	_____	_____	_____
7. Was collateral (if any) for receivables examined with respect to existence, ownership and value?	_____	_____	_____
8. Were procedures performed to provide evidence that taxes receivable and the related revenues have been recorded in the correct period in accordance with GASB Cod. Sec. P70?	_____	_____	_____
9. Were adequate tests of discounts and allowances made?	_____	_____	_____
10. Was the reasonableness of allowances for doubtful accounts covered in the workpapers and collectibility for receivables, including interfund receivables, adequately considered?	_____	_____	_____
11. Is there evidence in the workpapers that inquiry was made and consideration given to whether receivables are pledged, assigned or otherwise encumbered?	_____	_____	_____
12. Was receivable work coordinated with tests of revenues, including cutoff tests?	_____	_____	_____
13. Were procedures performed to obtain evidence that the carrying value of notes receivable reasonably represent the present value of the consideration exchanged and an appropriate interest rate? (APB Opinion No. 21 [AC sec. I69])	_____	_____	_____
14. Based on the assessed level of control risk, do the substantive tests of receivables appear adequate?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
C .050 Inventories			
1. Was an inventory summary showing basis prepared or obtained?	_____	_____	_____
2. Do the workpapers indicate that a lower of cost or market test (including consideration of obsolete or slow-moving inventory) was performed?	_____	_____	_____
3. Do the workpapers indicate that there were adequate tests of:			
a. Physical observation, if material?	_____	_____	_____
b. The clerical accuracy of the compilation of the inventory?	_____	_____	_____
c. Costing methods and substantiation of costs used in pricing all inventory elements?	_____	_____	_____
4. Based on the assessed level of control risk, do the substantive tests of inventory appear adequate?	_____	_____	_____
D. .060 Investments			
1. Was a summary schedule prepared (or obtained) and details examined with respect to description, purchase price and date, changes during the period, income, market value, etc., of investments?	_____	_____	_____
2. Were all securities either examined or confirmed?	_____	_____	_____
3. Were gains and losses on disposition of securities properly computed?	_____	_____	_____
4. Do the workpapers reflect consideration of the appropriateness of carrying values of marketable securities and their classification?	_____	_____	_____
5. Was investigation of carrying value and possible cost impairment of long-term investments made?	_____	_____	_____
6. Do the workpapers reflect consideration that investments were pledged, restricted, or had limitations on immediate use?	_____	_____	_____
7. For joint-venture investments (accounted for on the equity or other method), were financial statements and other information reviewed to support the amounts presented and the related footnote disclosures?	_____	_____	_____
8. Do the workpapers indicate that adequate evidential matter had been accumulated for long-term investments?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. Was a review made to determine whether the investments are of the types authorized by law or comply with the applicable statutes and investment policy?	_____	_____	_____
10. Were income, gains and losses from investments examined for proper allocation to the individual funds?	_____	_____	_____
11. For repurchase and reverse repurchase agreements, were appropriate audit procedures performed (e.g., confirmation, inspection of collateral, etc.)?	_____	_____	_____
12. Based on the assessed level of control risk, do the substantive tests of investments appear adequate?	_____	_____	_____
E. .070 <i>Prepaid Expenses, Intangible Assets, Deferred Charges, Etc.</i>			
1. Were adequate tests made and/or confirmations received for all material:			
a. Prepaid expenses?	_____	_____	_____
b. Intangible assets?	_____	_____	_____
c. Deferred charges?	_____	_____	_____
d. Other?	_____	_____	_____
2. Is there adequate support for the deferral and amortization (or lack thereof) of these types of assets?	_____	_____	_____
3. Based on the assessed level of control risk, do the substantive tests of prepaid expenses, intangible assets, deferred charges, etc., appear adequate?	_____	_____	_____
F. .080 <i>Fixed Assets</i>			
1. Was a summary schedule by source prepared (or obtained) to show beginning balances, changes during the period and ending balances for:			
a. Property, plant, and equipment?	_____	_____	_____
b. Accumulated depreciation (where applicable)?	_____	_____	_____
2. Do tests appear adequate with respect to:			
a. Additions by the examination of supporting documents and/or physical inspection?	_____	_____	_____
b. Retirements, etc. (including examination of miscellaneous income, scrap sales, etc.)?	_____	_____	_____
c. The adequacy of current and accumulated provisions for depreciation (where applicable)?	_____	_____	_____
d. Status of idle facilities?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Do the workpapers indicate that the auditor considered the possibility that property was subject to liens?	_____	_____	_____
4. Was a review made to determine that capital expenditures are classified in the proper fund accounts and made in accordance with budgetary requirements?	_____	_____	_____
5. Based on the assessed level of control risk do the substantive tests of property, plant, and equipment appear adequate?	_____	_____	_____

G. .090 Liabilities

1. Were accounts and warrants payable adequately tested for propriety?	_____	_____	_____
2. Were liabilities properly classified as current or long-term?	_____	_____	_____
3. Was an adequate test of subsequent transactions (i.e., cash disbursements, voucher register) made to determine if any unrecorded liabilities existed that were material individually or in the aggregate in relation to the financial statements?	_____	_____	_____
4. Was the payable work coordinated with the test of the purchase cutoff?	_____	_____	_____
5. Was consideration given to expenditures and expenses that might require accrual (e.g., pensions, compensated absences—see GASB Cod. Sec. 1600), and to whether accrued expenses were reasonably stated?	_____	_____	_____
6. Were procedures performed to determine whether deferred compensation plans are appropriately disclosed? (GASB Statement No. 2)	_____	_____	_____
7. Do the workpapers include evidence as to compliance with any loan restrictions?	_____	_____	_____
8. Were confirmations for significant notes and bonds payable, together with verification of interest rates, repayment period, etc., received?	_____	_____	_____
9. Were audit procedures performed to obtain evidence that the carrying value of debt obligations reasonably represent the present value of the consideration exchanged and an appropriate interest rate?	_____	_____	_____
10. Is there evidence that loan restrictions and covenants to debt obligations are being complied with?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
11. Was an examination made to determine that:			
a. New debt issues are properly issued as required by the state constitution or state/local statute and are recorded in the correct fund and/or account group?	_____	_____	_____
b. Debt restrictions, guarantees, and other debt commitments are properly disclosed?	_____	_____	_____
12. Do the tests of interfund borrowings appear adequate with respect to:			
a. Legal restrictions, if any, on such borrowings?	_____	_____	_____
b. Authorization?	_____	_____	_____
c. Classification?	_____	_____	_____
d. Appropriateness of interest accruals and payments?	_____	_____	_____
13. Based on the assessed level of control risk, do the substantive tests of liabilities appear adequate?	_____	_____	_____

H. .100 *Deferred Revenue*

1. Do the workpapers reflect consideration of whether the basis of deferring revenue is reasonable and consistent with restrictions imposed by the grantor or by the special assessment?	_____	_____	_____
2. Was consideration given to matching requirements, if any?	_____	_____	_____
3. Based on the assessed level of control risk, do the substantive tests of deferred revenue appear adequate?	_____	_____	_____

I. .110 *Commitments and Contingencies*

1. Do the workpapers include indication of the following:			
a. Inspection of minutes of meetings of the governmental body and key committees thereof, provisions of the governmental unit's charter, and applicable statutes and changes therein?	_____	_____	_____
b. Inspection of contracts, loan agreements, leases, correspondence from taxing and other governmental agencies, and similar documents?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Accumulation and analysis of confirmation responses from banks and lawyers?	_____	_____	_____
d. Inquiry and discussion with management (including management's written representations concerning liabilities and litigation, claims, and assessments)?	_____	_____	_____
e. Consideration of prior audits of federal financial assistance programs that disclosed questionable or disallowed costs, or instances of noncompliance?	_____	_____	_____
f. Inspection of long-term contracts with non-governmental entities, such as construction contractors?	_____	_____	_____
2. Is there indication that procedures were performed to uncover the need for recording or disclosing events subsequent to the date of the financial statements? (SAS No. 1, sec. 560.10-.12 [AU sec. 560.10-.12])	_____	_____	_____
3. Have all material contingencies been properly considered, documented, and reported? (SFAS No. 5 [AC sec. C59]; GASB Cod. Sec. C50)	_____	_____	_____
4. Has adequate consideration been given to loss contingencies in accordance with SFAS No. 5 (AC sec. C59)?	_____	_____	_____
5. Based on the assessed level of control risk, do the substantive tests of commitments and contingencies appear adequate?	_____	_____	_____

J. .120 Fund Equity

1. Where appropriate, were authorizations of changes in reserves and designated balances examined?	_____	_____	_____
2. Do the workpapers indicate that there were appropriate inquiries, where appropriate, as to proper classification, description, and disclosures of components of the fund equity?	_____	_____	_____
3. Do the workpapers indicate that fund transfers were properly approved and recorded?	_____	_____	_____
4. Based on the assessed level of control risk, do the substantive tests of fund equity appear adequate?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
K. .130 Revenues and Expenditures/Expenses			
1. Were revenues and expenditures and/or expenses for the period compared with those of the preceding period and reviewed for reasonableness, and were significant fluctuations explained?	_____	_____	_____
2. Was adequate consideration given to:			
a. The entity's revenue recognition policy?	_____	_____	_____
b. Income recognition on transactions where the earnings process was not complete?	_____	_____	_____
3. Do the workpapers indicate that revenues and inter-fund transactions have been recognized in the accounting period in which they became available and measurable under the applicable basis of accounting?	_____	_____	_____
4. Do the workpapers indicate that the auditor considered the effect of program income on federal grants and any related activities?	_____	_____	_____
5. Has it been determined that:			
a. Expenditures are in accordance with the approved budget as to amounts and purpose?	_____	_____	_____
b. Encumbrances are properly identified, supported, and recorded?	_____	_____	_____
c. Indirect cost allocations are in accordance with OMB Circular A-87?	_____	_____	_____
6. Were tests of payrolls, including account distribution, made?	_____	_____	_____
7. With regard to pension plans, do the tests made of the expense and liabilities appear adequate?	_____	_____	_____
8. If the entity is reimbursed by a third party for costs incurred in connection with providing services to others:			
a. Were pertinent sections of significant third-party contracts reviewed to determine the basis for reimbursement?	_____	_____	_____
b. Were cost reimbursement reports and the underlying support reviewed?	_____	_____	_____
c. Were appropriate allocations made of indirect costs among the entity's programs?	_____	_____	_____
d. Was the effect of audits, either required or performed by third party grantors, considered?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
9. If grants are awarded to other organizations, did the auditor review the following:			
a. The classification of the grants?	_____	_____	_____
b. The effects of the grantees' compliance or non-compliance with performance requirements?	_____	_____	_____
10. Based upon the assessed level of control risk, did the substantive tests (review, analysis, and testing) of revenues and expenditures/expenses appear adequate?	_____	_____	_____

L. .140 Other

1. Have leases been examined to determine that capital, sales, and direct financing leases have been properly accounted for? (GASB Cod. Sec. L20)	_____	_____	_____
2. Were procedures applied to supplementary information in accordance with SAS No. 29 (AU sec. 551)?	_____	_____	_____
3. If the work of a specialist was used, did the auditor apply the guidance in SAS No. 11 (AU sec. 336)?	_____	_____	_____
4. Were specific procedures applied for determining the existence of related parties and examining identified related-party transactions? (SAS No. 45 [AU sec. 334])	_____	_____	_____

This audit engagement has been completed in accordance with professional standards and firm policy.

Partner _____ Date _____

AAM Section 9240

Partner's Engagement Review Program for Banks

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
I. General Procedures			
A. .010 General			
1. Has the "Partner's Functional Area Review Program" been completed? (Section 9200)	_____	_____	_____
2. If required by firm policy, was an appropriate engagement letter issued?	_____	_____	_____
3. If the firm has succeeded a predecessor accountant, did the firm:			
a. Communicate with the predecessor accountant to ascertain whether there were disagreements between the predecessor accountant and the entity's management on accounting or auditing matters and consider the implications of such matters in accepting the client?	_____	_____	_____
b. Make other inquiries of the predecessor accountant on significant matters?	_____	_____	_____
c. Satisfy itself on the fair presentation of opening balances, such as by reviewing the predecessor accountant's working papers?	_____	_____	_____
4. In planning the audit engagement, were the following matters considered:			
a. Matters affecting the environment in which the entity operates, such as accounting practices, economic conditions, government regulations (such as FIRREA), contractual obligations and technological changes? (SAS No. 22 [AU sec. 311])	_____	_____	_____
b. Matters affecting the entity's operations, such as legal organization and types of services? (SAS No. 22 [AU sec. 311])	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Preliminary judgment about materiality levels for audit purposes? (SAS No. 47 [AU sec. 312])	_____	_____	_____
d. Conditions that may require extension or modification of audit tests, such as the possibility of material errors or irregularities and management's ability to override controls? (SAS No. 53 [AU sec. 316])	_____	_____	_____
e. Related-party transactions?	_____	_____	_____
f. Other audit risks?	_____	_____	_____
5. Did the firm obtain an understanding of the internal control structure which consists of the control environment, the accounting system, and control procedures? (SAS No. 55 [AU sec. 319])			
a. Was the understanding of the internal control structure documented? (SAS No. 55 [AU sec. 319])	_____	_____	_____
b. Did the firm assess control risk for significant assertions related to significant account balances and transaction classes? (SAS No. 55 [AU sec. 319])	_____	_____	_____
c. For those significant assertions for which the firm assessed control risk below maximum:			
(1) Were specific internal-control-structure policies and procedures relevant to specific assertions likely to prevent or detect material misstatements identified? (SAS No. 55 [AU sec. 319])	_____	_____	_____
(2) Were adequate tests of controls to evaluate the effectiveness of such policies and procedures performed to support the assessed level of risk? (SAS No. 55 [AU sec. 319])	_____	_____	_____
d. If the firm relied on the internal control structure at a service organization, was a service auditor's report obtained and appropriately considered? (SAS No. 44 [AU sec. 314])	_____	_____	_____
6. Were the guidelines of SAS No. 56, <i>Analytical Procedures</i> (AU sec. 329), followed for:			
a. The planning of the audit?	_____	_____	_____
b. Use as a substantive test?	_____	_____	_____
c. Overall review of the audit?	_____	_____	_____
7. Was a written audit program prepared? (SAS No. 22 [AU sec. 311])			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Was it responsive to the needs of the engagement identified during the planning process and was it developed in light of the internal control structure? (SAS No. 55 [AU sec. 319])	_____	_____	_____
b. Were applicable assertions considered in developing audit objectives and in designing substantive tests? (SAS No. 31, paragraphs 9 through 13 [AU sec. 326.09–.13])	_____	_____	_____
c. Was the guidance in the AICPA Audit and Accounting Guide, <i>Audits of Banks</i> , considered?	_____	_____	_____
d. If conditions changed during the course of the audit, was the audit program modified?	_____	_____	_____
8. Did the audit strategy and expected conduct and scope of the audit reflect the following assessments:			
a. The risk of material misstatement in the financial statements?	_____	_____	_____
b. The risk of management misrepresentation?	_____	_____	_____
9. Was the audit designed to provide reasonable assurance of detecting material misstatements?	_____	_____	_____
10. If statistical or nonstatistical sampling was used for tests of controls (SAS No. 39, paragraphs 31 through 42 [AU sec. 350.31–.42]):			
a. In planning the sampling application, was appropriate consideration given to the relationship of the sample to the objective of the test, tolerable rate, allowable risk of assessing control risk too low, and likely rate of deviations? (SAS No. 55 [AU sec. 319])	_____	_____	_____
b. Were applicable assertions considered in developing audit objectives and in designing substantive tests? (SAS No. 31, paragraphs 9 through 13 [AU sec. 326.09–.13])	_____	_____	_____
11. If statistical or nonstatistical sampling was used for substantive tests of details (SAS No. 39, paragraphs 15 through 30 [AU sec. 350.15–30]):			
a. In planning the sampling application, was appropriate consideration given to the relationship of the sample to the audit objective, preliminary judgments about materiality levels, auditor's allowable risk of incorrect acceptance, and characteristics of the population?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Was the sample selected in a way that it is expected to be representative of the population?	_____	_____	_____
c. Were all misstatement results projected to the population?	_____	_____	_____
d. In evaluating the sample, was appropriate consideration given to items for which the planned substantive tests or alternate procedures could not be performed?	_____	_____	_____
e. In evaluating whether the financial statements may be materially misstated, was appropriate consideration given to projected misstatement results from all audit sampling applications and to all known misstatements from nonsampling applications.	_____	_____	_____
f. Were the foregoing considerations adequately documented in accordance with firm policy?	_____	_____	_____
12. Did the firm obtain timely and appropriate responses from the client's attorney concerning litigation, claims, and assessments? (SAS No. 12 [AU sec. 337])	_____	_____	_____
13. Were all procedures required in the audit programs signed?	_____	_____	_____
14. Were all questions, exceptions, or notes, if any, posed during the audit followed up and resolved including consideration of the views obtained from responsible officials of the organization, program, activity, or function concerning the auditor's finding, conclusions, and recommendations?	_____	_____	_____
15. Did the firm obtain a letter of representation from management? (SAS No. 19 [AU sec. 333])	_____	_____	_____
16. Was appropriate consideration given to all passed adjustments?	_____	_____	_____
17. Was appropriate consideration given to the risk that the current period's financial statements are materially misstated when prior period misstatements are considered likely misstatements arising in the current period? (SAS No. 47 [AU sec. 312])	_____	_____	_____
18. Were errors, irregularities, or illegal acts, if any, followed up in accordance with SAS Nos. 53 and 54 (AU secs. 316 and 317)?	_____	_____	_____
19. If it has been determined an audit adjustment is, or may be, an irregularity but it has also been deter-			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
mined that the effect on the financial statements could not be material, were the following performed:			
<i>a.</i> Referral of the matter to an appropriate level of management that is at least one level above those involved?	_____	_____	_____
<i>b.</i> Obtain satisfaction that, in view of the organizational position of the likely perpetrator, the irregularity has no implications for other aspects of the audit or that those implications have been adequately considered?	_____	_____	_____
20. If it has been determined that an audit adjustment is, or may be, an irregularity and the effect could be material, were the following performed:			
<i>a.</i> Consideration of the implications for other aspects of the audit?	_____	_____	_____
<i>b.</i> Discussions of the matter and the approach to further investigate the irregularity with an appropriate level of management at least one level above those involved?	_____	_____	_____
<i>c.</i> Was sufficient competent evidential matter obtained to determine whether, in fact, material irregularities exist and, if so, their effect?	_____	_____	_____
<i>d.</i> If appropriate, suggestions that the client consult with legal counsel on matters concerning questions of law?	_____	_____	_____
21. Were reportable conditions in the internal control structure communicated to the audit committee or, in organizations that do not have one, to individuals with a level of authority and responsibility equivalent to an audit committee? (SAS No. 60 [AU sec. 325])	_____	_____	_____
22. Were communications of internal-control-structure matters, other than reportable conditions, issued in accordance with SAS No. 60, paragraph 19 (AU sec. 325.19)?	_____	_____	_____
23. If consideration was given to the work of internal auditors in determining the scope of the audit, was it done in accordance with SAS No. 9 (AU sec. 322)?	_____	_____	_____
24. If specialized skills were used (e.g., computer auditing, statistical sampling, etc.), were they properly evaluated by persons with training in these areas? (SAS No. 39 [AU sec. 350])	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
25. If it has been concluded that an illegal act has or is likely to have occurred, were the following considered:			
<i>a.</i> The effect on the financial statements?	_____	_____	_____
<i>b.</i> The implications for other aspects of the audit?	_____	_____	_____
<i>c.</i> Communication with the audit committee?	_____	_____	_____
<i>d.</i> The effect on the auditor's report?	_____	_____	_____
26. If the engagement included the use of the work (domestic or international) of another office, correspondent, or affiliate:			
<i>a.</i> Do the instructions to the other office or firm appear adequate?	_____	_____	_____
<i>b.</i> Does it appear that control exercised over the work of others through supervision and review was adequate?	_____	_____	_____
<i>c.</i> Was there appropriate follow-up of open matters?	_____	_____	_____
<i>d.</i> In those cases where another firm is used, were appropriate inquiries made as to its professional reputation?	_____	_____	_____
27. Was the disclosure checklist for banks completed?	_____	_____	_____
28. Were matters related to the conduct of the audit communicated to those who have responsibility for oversight of the financial reporting process? (SAS No. 61 [AU sec. 380])	_____	_____	_____

II. Workpapers

A. .020 *General*

- | | | | |
|--|-------|-------|-------|
| 1. Do the workpapers document the consideration of the results of inquiries, readings, excerpts or other evidence of an understanding of regulatory examinations, their findings and actions and the recognition of the above in planning the audit? | _____ | _____ | _____ |
| 2. Did the engagement team obtain an adequate understanding of those factors that have a significant effect on the bank's business (i.e., interest rates, liquidity, off-balance sheet financing)? | _____ | _____ | _____ |
| 3. If the client engaged in the following types of transactions, was there a review of the propriety of the accounting and recording for: | | | |

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Loan originations?	_____	_____	_____
b. Loan commitments?	_____	_____	_____
c. Fees?	_____	_____	_____
d. Loan refinancing and restructuring?	_____	_____	_____
e. Transfers between trading account and investment securities?	_____	_____	_____
f. Wash sale transactions?	_____	_____	_____
g. Hedging transactions, including interest rate swaps and interest rate futures?	_____	_____	_____
h. Coupon stripping?	_____	_____	_____
i. Adjusted price forward placement trades?	_____	_____	_____
j. Reposition swaps?	_____	_____	_____
k. Repos to maturity?	_____	_____	_____
l. Dollar repos?	_____	_____	_____
m. Commitments for the purchase or sale of securities?	_____	_____	_____
n. Industrial development bonds?	_____	_____	_____
o. Purchase or sale of options?	_____	_____	_____
p. Purchase or sale of securities?	_____	_____	_____
4. Did the audit planning and the implementation of audit procedures adequately consider:			
a. Off-balance sheet transactions?	_____	_____	_____
b. The appropriate accounting for investments?	_____	_____	_____
c. Related-party transactions?	_____	_____	_____
d. Regulatory examination reports?	_____	_____	_____
e. Regulatory agreements?	_____	_____	_____
f. Apparent fraud and insider abuse?	_____	_____	_____
5. Did the engagement team consider the risks to the bank of possible violations of regulations such as the following:			
a. The Bank Secrecy Act?	_____	_____	_____
b. Legal lending limit regulations and interest rates charged?	_____	_____	_____
c. Affiliated-party transactions?	_____	_____	_____
d. The current minimum capital ratio requirements?	_____	_____	_____
e. FIRREA?	_____	_____	_____
6. Were the following considered in connection with foreign exchange transactions:			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
a. Reasonable assurance that material commitments and contingent liabilities related to international operations have been properly recorded and disclosed?	_____	_____	_____
b. Reasonable assurance that gains and losses from foreign exchange activities of the international department are properly recorded and disclosed?	_____	_____	_____

B. .030 Cash

1. Was due consideration given to cash transactions shortly before and shortly after the balance sheet date to determine that transactions were recorded in the proper period?	_____	_____	_____
2. Were bank accounts in other financial institutions confirmed at the audit date and were reconciling items existing at the balance sheet date cleared by reference to subsequent statements obtained directly from the financial institutions?	_____	_____	_____
3. Do the workpapers indicate that the following were considered:			
a. Restrictions on cash balances?	_____	_____	_____
b. Confirmation of liabilities and contingent liabilities to other banks?	_____	_____	_____
c. Review of confirmation responses for indication of related-party transactions?	_____	_____	_____
d. Proper recording of interest?	_____	_____	_____
4. Do the workpapers indicate whether cash on hand represents currency and coins on hand?	_____	_____	_____
5. Was it determined whether clearings, exchanges and in-transit items represent valid claims against the drawee bank?	_____	_____	_____
6. Do the workpapers reflect whether cash items (checks cashed after close of business, maturing coupons and bonds, returned checks and other items held temporarily pending their liquidation) are properly classified?	_____	_____	_____
7. Based on the assessed level of control risk were substantive tests of cash adequate?	_____	_____	_____

C. .040 Investment and Trading Securities

1. Do the workpapers indicate physical evidence of the ownership of securities on hand or held in custody or safekeeping by others for the account of the bank?	_____	_____	_____
---	-------	-------	-------

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. Do the workpapers indicate whether interest and dividend income and security gains and losses were properly recorded?	_____	_____	_____
3. Do the workpapers indicate whether investments have suffered a permanent reduction in recorded value?	_____	_____	_____
4. Do the workpapers indicate whether allowances for losses have been provided where necessary?	_____	_____	_____
5. Do the workpapers indicate whether securities have been properly identified as investment or trading securities and valued appropriately?	_____	_____	_____
6. Do the workpapers indicate whether amounts for investment securities and the related income, gains and losses are properly presented in the financial statements, including disclosures of amounts pledged, market value, and other related disclosures?	_____	_____	_____
7. Based on the assessed level of control risk were substantive tests of investment and trading securities adequate?	_____	_____	_____

D. .050 *Federal Funds and Repurchase/Reverse Repurchase Agreements*

1. Do the workpapers indicate whether federal funds and repurchase/reverse repurchase agreements represent valid claims against the borrower or obligations to the lender?	_____	_____	_____
2. Do the workpapers indicate whether amounts shown on the financial statements are properly classified and described?	_____	_____	_____
3. Based on the assessed level of control risk were substantive tests of federal funds and repurchase/reverse repurchase agreements and trading securities adequate?	_____	_____	_____

E. .060 *Loans*

1. Was an evaluation of the adequacy of the allowance for loan losses and the selection of loans to be evaluated, performed, and documented?	_____	_____	_____
2. Did the evaluation in 1 above include:			
a. The bank's lending policies and procedures, including its control over loan file documentation and maintenance?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
b. Consideration of the qualification of the bank loan officers?	_____	_____	_____
c. Consideration of the effectiveness of the bank's internal audit and loan review program?	_____	_____	_____
d. Consideration of the results of prior years' examinations and industry statistics?	_____	_____	_____
e. Consideration of overall portfolio mix (industry and location), loan loss experience, and charge-off policy?	_____	_____	_____
3. Was consideration given to the relative degrees of inherent risk by type for unsecured, depressed areas or industries, concentration or political risk, geographic or economic risks?	_____	_____	_____
4. Was consideration given to the participations purchased or sold?	_____	_____	_____
5. Was consideration given to overdrafts?	_____	_____	_____
6. Was consideration given to the accounting for and disclosures of related-party transactions?	_____	_____	_____
7. Was consideration given to the extent to which loan renewals and extensions are used to maintain loans on a current basis?	_____	_____	_____
8. Was consideration given to appraisals obtained on originations and foreclosures, including the qualifications, independence, and findings of the appraisers?	_____	_____	_____
9. Was consideration given to the disclosure of indirect (off-balance sheet) liabilities such as loan commitments, interest rate swaps, loans sold with recourse, and standby letters of credit, as well as direct liabilities?	_____	_____	_____
10. Were management's responses to discussions concerning the adequacy of the allowance appropriate?	_____	_____	_____
11. Was consideration given to the propriety of acquisition, development, and construction loans? (February 1986, AICPA <i>Notice to Practitioners</i>)	_____	_____	_____
12. Was consideration given to the use of watch lists, delinquency reports, and other sources of potential problems including troubled debt restructurings and in-substance foreclosures?	_____	_____	_____
13. Were individual loan files reviewed, including bor-			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
rowers' financial statements, evidence of collateral, and cash flow information?	_____	_____	_____
14. Did the final assessment of the adequacy of loan losses consider specific loans and historical trends?	_____	_____	_____
15. Was there comprehensive documentation to 14 above?	_____	_____	_____
16. If real estate or other assets acquired through foreclosure were significant to the client:			
a. Was the carrying value at the time of foreclosure evaluated and properly classified in the financial statements?	_____	_____	_____
b. Was the continuing carrying value assessed?	_____	_____	_____
c. Were loans restructured by the client reviewed for proper recording under the principles of FASB No. 15 (AC sec. D22)?	_____	_____	_____
d. Was the accounting for "in-substance foreclosures" reviewed to determine that they were accounted for as troubled debt restructuring?	_____	_____	_____
17. For loans, were the following considered:			
a. The bank's compliance with its internal control, i.e., approval, reports, documentation, disbursement and collection?	_____	_____	_____
b. Selection of a sample from all significant loan areas?	_____	_____	_____
c. Did the tests include executed notes, loan applications, financial statements of borrowers, chattels, other credit information and approvals?	_____	_____	_____
d. Confirmation with bank customers?	_____	_____	_____
e. Proper accounting recognition of unearned income, interest income, recognition of acquisition, and other fees such as "points"?	_____	_____	_____
f. Tests of interest income to average loan balance and yield to interest rates in effect?	_____	_____	_____
g. Testing of related-party transactions and conflicts of interest?	_____	_____	_____
h. Testing of the bank's credit card operations?	_____	_____	_____
i. Testing of lease financing operations?	_____	_____	_____
j. Testing of loan participations?	_____	_____	_____
k. Review of underlying collateral?	_____	_____	_____
18. Based on the assessed level of control risk, were substantive tests of loans adequate?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
F. .070 <i>Prepaid Expenses, Intangible Assets, Deferred Charges, Etc.</i>			
1. Were adequate tests made or confirmations received for all material:			
a. Prepaid expenses?	_____	_____	_____
b. Intangible assets?	_____	_____	_____
c. Deferred charges?	_____	_____	_____
d. Other?	_____	_____	_____
2. For prepayments, intangibles, and deferred charges, is there adequate support for the deferral and amortization (or lack thereof)?	_____	_____	_____
3. If insurance policies were pledged as collateral or subjected to premium financing, were the related loans properly accounted for?	_____	_____	_____
4. Based on the assessed level of control risk, were substantive tests of prepaid expenses, intangible assets, deferred charges, etc., adequate?	_____	_____	_____

G. .080 *Premises and Equipment*

1. Was a summary schedule prepared (or obtained) to show beginning balances, changes during the period, and ending balances for:			
a. Premises and equipment?	_____	_____	_____
b. Accumulated depreciation and amortization?	_____	_____	_____
2. Do tests appear adequate with respect to the following:			
a. Additions:			
(1) Examination of supporting documents?	_____	_____	_____
(2) Physical inspection?	_____	_____	_____
b. Retirements (including examination of miscellaneous income, etc.)?	_____	_____	_____
c. The adequacy of current and accumulated provisions for depreciation and amortization?	_____	_____	_____
d. Compliance with control procedures?	_____	_____	_____
e. Status of idle facilities?	_____	_____	_____
3. Do the workpapers indicate the presence of liens on property?	_____	_____	_____
4. Have leases been examined to determine that capital leases have been properly accounted for? (FASB			

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
Statement No. 13, paragraphs 6 through 14 [AC L10.102-.109 and .112])	_____	_____	_____
5. Were differences between book and tax depreciation reconciled?			
6. Based on the assessed level of control risk, were substantive tests of premises and equipment adequate?	_____	_____	_____

H. .090 Deposits

1. Do the workpapers indicate whether deposits are recorded at the proper amounts, segregated as to type and whether they represent valid claims?	_____	_____	_____
2. Was it determined whether the related accrued interest and interest expense is stated on a reasonable and consistent basis?	_____	_____	_____
3. Was it determined whether the amounts shown on the financial statements are properly classified and adequately described?	_____	_____	_____
4. Based on the assessed level of control risk were substantive tests of deposits adequate?	_____	_____	_____

I. .100 Liabilities

1. Were accounts payable adequately tested for propriety?	_____	_____	_____
2. Were subsequent transactions (i.e., cash disbursements, voucher register entries, vouchers, unpaid invoices, etc.) tested to determine if any material unrecorded liabilities exist?	_____	_____	_____
3. Was consideration given to costs and expenses that might require accrual (e.g., compensated absences—see FASB Statement No. 43 [AC C44]), and to whether accrued expenses were reasonably stated?	_____	_____	_____
4. Do the workpapers indicate whether adequate provision has been made for pension costs and profit sharing, using the appropriate GAAP, consistently applied?	_____	_____	_____
5. Based on the assessed level of control risk, were the substantive tests of liabilities adequate?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
J. .110 <i>Deferred Credits</i>			
1. Do workpapers indicate that:			
a. The basis of deferring income is reasonable and consistent from year to year?	_____	_____	_____
b. Deferrals have been established on a reasonable basis?	_____	_____	_____
2. Based on the assessed level of control risk, were substantive tests of deferred credits adequate?	_____	_____	_____
K. .120 <i>Income Taxes</i>			
1. Were current and deferred tax accruals and related provisions analyzed and appropriate auditing procedures performed?	_____	_____	_____
2. Do the workpapers document the determination of the adequacy of the income tax accruals and provisions in accordance with federal, state, and local regulations and GAAP and any possible adjustments required for:			
a. Tax positions taken by the client that might be challenged by the taxing authorities?	_____	_____	_____
b. Possible assessments, penalties or interest indicated by tax return examinations completed during the year or in progress, including similar adjustments applicable to years not yet examined?	_____	_____	_____
3. Based on the review of the financial statements and workpapers and, if necessary, discussions with engagement personnel, does it appear tax matters were adequately considered?	_____	_____	_____
4. Based on the assessed level of control risk, were substantive tests of income taxes adequate?	_____	_____	_____
L. .130 <i>Commitments and Contingencies</i>			
1. Do the workpapers document the following:			
a. Inspection of minutes of meetings of the stockholders, board of directors, executive and other committees?	_____	_____	_____
b. Inspection of contracts, leases, and correspondence from taxing and other governmental agencies, and similar documents?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
c. Accumulation and analysis of confirmation responses from banks and lawyers?	_____	_____	_____
d. Inquiry and discussion with management (including management's and outside counsel's written representations concerning liabilities and litigation, claims, and assessments)?	_____	_____	_____
e. Inspection of other documents for possible guarantees by the bank?	_____	_____	_____
2. Has adequate consideration been given to loss contingencies in accordance with FASB Statement No. 5 (AC C59)?	_____	_____	_____
3. Based on the assessed level of control risk, do the substantive tests of commitments and contingencies appear adequate?	_____	_____	_____

M. .140 Director's Examinations

1. Because the procedures may be limited in a director's examination, were the nature and extent of such procedures clearly set forth in the engagement letter?	_____	_____	_____
2. Were state requirements considered in determining the scope of the audit?	_____	_____	_____
3. Was the guidance in the AICPA Audit and Accounting Guide, <i>Audits of Banks</i> , considered in planning, performing and reporting on the examination?	_____	_____	_____
4. If the examination consisted of performing certain agreed-upon procedures, did the firm's report comply with the provisions of SAS No. 35 (AU sec. 622)?	_____	_____	_____

N. .150 Capital Accounts

1. Were changes in capitalization agreed to proper authorizations?	_____	_____	_____
2. Do the workpapers indicate adequate inquiries were made of:			
a. Stock options?	_____	_____	_____
b. Warrants?	_____	_____	_____
c. Rights?	_____	_____	_____
d. Redemptions?	_____	_____	_____
e. Conversion privileges?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
3. Based on the assessed level of control risk, do the substantive tests of capital accounts appear adequate?	_____	_____	_____
O. .160 <i>Income and Expenses</i>			
1. Were tests made of payrolls, including account distribution?	_____	_____	_____
2. With regard to pension and profit-sharing plans (including impact of ERISA), do tests of the expense and liabilities appear adequate?	_____	_____	_____
3. Were revenue and expenses for the period compared with those of the preceding period and reviewed for reasonableness; were significant fluctuations explained?	_____	_____	_____
4. Was an adequate review made of the bank's revenue recognition policy?	_____	_____	_____
5. Based upon the assessed level of control risk, were the substantive tests of income and expenses adequate?	_____	_____	_____
P. .170 <i>Trust Operations</i>			
1. Were the audit procedures directed to uncover the existence of contingent liabilities arising from trust department operations?	_____	_____	_____
2. Did the procedures include a determination of whether administrative activities (including execution of trust instructions), safekeeping of assets, recordkeeping, tax, and reporting of the trust department were appropriate to meet the trust's fiduciary responsibilities?	_____	_____	_____
3. Do the workpapers indicate whether trust assets exist, are recorded as trust assets, segregated from bank assets and accounted for properly?	_____	_____	_____
4. If other independent auditors or internal auditors audit the trust operations, were appropriate procedures performed to justify reliance on them?	_____	_____	_____
Q. .180 <i>Other</i>			
1. Were procedures applied to supplementary information in accordance with SAS No. 52 (AU sec. 558) as applicable?	_____	_____	_____

	<u>Yes</u>	<u>No</u>	<u>N/A</u>
2. If a specialist was used, was the effect of the specialist's work on the auditor's report considered in accordance with SAS No. 11, paragraphs 9 through 12? (AU sec. 336.09-.12)	_____	_____	_____
3. Was the guidance in SAS No. 47 (AU sec. 312) regarding audit risk and materiality considered during the planning and performance of the engagement?	_____	_____	_____
4. Is there an indication that procedures were performed to uncover the need for recording or disclosure of events subsequent to the date of the financial statements? (SAS No. 1, sec. 560.10-.12 [AU sec. 560.10-.12])	_____	_____	_____

AAM Section 9250

Audit and Accounting Manual In-Charge Engagement Review Program

	<u>Done</u>		<u>W/P</u>
	<u>By</u>	<u>Date</u>	<u>Ref.</u>
A. General Procedures			
1. Were all of the following planning procedures performed?			
a. Have prior year's workpapers been reviewed to determine problem areas?	_____	_____	_____
b. Were the review and approval of the audit program by the manager and partner on the engagement documented?	_____	_____	_____
c. Was the understanding of the internal control structure documented?	_____	_____	_____
d. Were any changes to the assessment of control risk necessitated due to the test of controls?	_____	_____	_____
e. Was the audit program changed due to (d) above?	_____	_____	_____
f. Were the planning analytical procedures performed for major financial statement captions?	_____	_____	_____
2. Have any questionable acts (i.e., irregularities, illegal acts, etc.) been noted?	_____	_____	_____
3. If any questionable acts were noted, were they followed up appropriately and documented?	_____	_____	_____
4. Were any suggestions for performing next year's engagement noted?	_____	_____	_____
5. Has the time budget been completed and reviewed to determine if changes for next year's budget should be made?	_____	_____	_____
B. Workpapers			
1. Are the workpapers properly headed and indexed?	_____	_____	_____
2. Was the balance per the lead sheets and the trial balance agreed to the financial statements and the general ledger?	_____	_____	_____
3. Were all columns footed and cross-footed?	_____	_____	_____
4. Were important calculations (i.e., interest, depreciation, pension, taxes, and other calculations) recalculated or checked for reasonableness?	_____	_____	_____

	<i>Done</i>		<i>W/P</i>
	<u>By</u>	<u>Date</u>	<u>Ref.</u>
5. Are all tickmarks explained?	_____	_____	_____
6. Were all confirmations received agreed to the appropriate workpapers?	_____	_____	_____
7. Were all confirmation exceptions resolved?	_____	_____	_____
8. Were statistics kept of the results of the confirmation procedures?	_____	_____	_____
9. Are all cross-references correct?	_____	_____	_____
10. Are all appropriate audit program steps performed, signed, and dated?	_____	_____	_____
11. Have all adjustments and reclassification entries been carried forward to the summary workpaper?	_____	_____	_____
12. Do the workpapers support the conclusion for the area and the opinion for the report?	_____	_____	_____
13. Do the results of the tests of controls performed support the assessed level of control risk for assertions regarding significant account balances and transaction classes?	_____	_____	_____
14. Has the reviewer documented the review of the workpapers?	_____	_____	_____

AAM Section 9500

Report Processing

Drafting the Report

.01 The only tangible evidence a client receives of the CPA's work is the written report. Since weeks or months of effort may have been spent in its preparation (for which the client pays a substantial fee), it is only prudent that every effort be made to insure the superior quality of its presentation.

.02 While most financial statements do not offer the opportunity for creativity in writing style, the effectiveness of many special reports is influenced by the quality of the writing. Clarity and propriety in an accountant's report are not achieved through use of long words, technical language or complicated reasoning, but through simple language used to present important thoughts, supported by documentation. Proper grammar and sentence structure improve readability. Effective use of forceful words with smooth transitions between sentences will help hold the reader's interest. If the subject matter is of deep concern to management and if management has respect for the auditor's opinion, it is likely that the recommendations will be followed by action, especially if the author communicates effectively. This is particularly true where the report is to be the basis for a management decision.

Uniformity

.03 Strict uniformity may stifle creative thinking, but a consistent format adds quality to the written report.

1. The client's name should appear at the top of every statement with identical spelling and punctuation. The certificate of incorporation should be inspected to determine the exact name of the corporation. Accuracy in seemingly small matters, such as whether "the" is part of the name, the word "Company" or "Incorporated" is abbreviated or spelled out, or commas are part of the name, is important to the accountant's reputation.
2. Descriptive phraseology should be uniform. If the phrase "cost of goods sold" is used in the income statement, then a schedule of these costs should show "cost of goods sold," not "cost of sales."
3. The manner in which the date or period covered is indicated should also be uniform. If the income statement is headed "for the year ended December 31, 19__," then all supporting schedules should be headed that way, rather than "for the year 19__."
4. Schedule and statement headings should conform to a pattern. For example, if "schedule of cost of goods sold" is used, then all other schedules should begin with "schedule of."
5. Statement and schedule headings should be the same in the letter, table of contents, index, and other references.
6. Each page should be well balanced, paragraphs should break in the right places, tables should be centered and not broken except when a table is longer than a page, page numbers

should be in the same place on each sheet, type should be clean and alignment even, and there should be no “strikeovers” or visible erasures.

7. As part of firm policy, the following should be standardized:

Title	Captions
Indexing	Spacing
Salutation	Indentation
Page Numbering	Paragraphing
Closing and Signing	Capitalization
Dating	Underscoring
Whole Dollar Reporting	Punctuation
Headings	Dollar Signs
Double or Single Spacing	

Draft of Report

.04 In some cases an exposure draft of the report, clearly identified as a draft, can be used effectively to afford the client an opportunity to comment on the report before it is in final form.

Report Production

.05 A report guide sheet usually accompanies all reports submitted for processing. Included in the report guide sheet is the basic information which relates to the specific client, such as:

1. Client name
2. Audit date
3. Engagement partner and manager
4. Date audit commenced
5. Date audit completed
6. Date report submitted for review
7. Date review completed
8. Date submitted for typing
9. Date submitted for checking
10. Date sent to client
11. Special comments, such as “rush,” “date promised to client,” and “hold for confirmation.”

.06 The purpose of the report guide sheet is to enable the audit team to know the status of the report at all times, and to ascertain if there are any time lags in the processing of the report. The following procedures are used in its preparation.

Engagement information. The in-charge accountant enters the engagement information, delivery instructions, and “hold items” (items to be cleared prior to releasing report) and signs the report guide sheet as initial reviewer.

Review. The report is approved at various levels of review. If there is more than one reviewer (for example, two department reviewers for phases of a large job), the primary reviewer should sign the report guide sheet. If another partner or manager performed the entire review in the absence of the primary reviewer, then such other reviewer should sign the report guide sheet as overall reviewer.

Processing. The various processing levels are signed off. If more than one typist is involved, the head of the typing department of the primary typist may sign the report guide sheet. If more than one person is involved in comparing and proofing, the person primarily responsible should sign the report guide sheet. The review partner or that partner's delegate should sign as final reader.

Final release. The person who signs for final release must ascertain that all other required signatures are on the report guide sheet before releasing the report.

Report production. The reverse side of the report guide sheet is usually completed by the in-charge accountant. A photocopy may be given to the report production department as advance notice of production requirements (for example, where numerous printed covers will be needed).

.07 The report guide sheet is bound with the operating office's file copy of the report. With the busy atmosphere prevailing at most firms, it is of vital importance that all work, as it moves through the production process, be under tight control independent of the work product and its guide sheet.

.08 A simple schedule can be maintained to control the flow of work from the date an audit engagement is begun to the date the report is finally mailed to the client. The schedule has key items arranged in columnar form and can be maintained by the office manager or another person in charge of staff assignments. Frequent references to the schedule should reveal any unusual delays in completing an engagement or typing a report.

.09 To account for each report from the time it is placed for typing to the time it is mailed or delivered to the client, some firms maintain a record in the typing department, in place of or as a supplement to the foregoing record. (See Report Production Control in section 9500.13.)

.10 If this record indicates any time lags, the matter should be investigated; it may indicate either an abnormal backlog of work or some other problem.

.11 In preparing the report production control form, the following procedures are suggested:

- It should be manually prepared and updated daily by a control clerk.
- It should be retained in a notebook in a readily accessible location so that audit personnel can check report status without interfering with review and production operations.
- When a report and related workpapers are received by the reviewer, the client name, report description, fiscal year-end, report-letter date, and due date should be entered.
- The review partner should assign a reviewer and record the date forwarded to the reviewer and the forwarding date for tax review.
- The person's name to whom the report is given for rework (if required) should be entered and the dates forwarded for tax and audit reviews of rework are recorded (if required).
- Other dates should be recorded through final release.

**Report Guide Sheet
(To be bound with the—colored copy of report)**

Engagement Information

Client _____ Date Due _____
 Assignment Number _____ Assignment Name _____
 Partner _____ Manager _____ In-Charge Accountant _____
 _____ Compiled Financial Statements Period _____
 _____ Reviewed Financial Statements Period _____
 _____ Audited Financial Statements Period _____
 _____ Review of Interim Financial Information Period _____
 _____ Special Reports—Description Date _____

Delivery Instructions:

Name—attention of: _____ Mail _____
 Address _____ Delivery by: _____

Hold Items

	Cleared by	Date
_____ Attorney Letter	_____	_____
_____ Letter of Representation	_____	_____
_____	_____	_____
_____	_____	_____

Report Review:

	Signature	Date
Prepared by	_____	_____
Manager	_____	_____
Review Department	_____	_____
Tax Department	_____	_____
Partner	_____	_____

Report Processing:

	Signature	Date
Typing Department	_____	_____
Comparing and Proofing	_____	_____
Final Reading	_____	_____

Final Release:

The report(s) described above were released by me after all hold items were cleared. All appropriate levels of review were signed off, and all processing steps completed.

 Signature _____ Date _____

(continued)

Report Guide Sheet (continued)

Report Description (Exactly as it will appear):

- ___ Financial Statements and Accountant's Report (Compilation) (Review) Report
- ___ Financial Statement and Independent Auditor's Report
- ___ Unaudited (Interim) Financial (Statements) (Information) (and Accountant's Review Report)
- ___ Other Title

Client _____ Date _____

Report Production:

Covers: ___ Printed ___ Typed

Report Copies:

In covers

Client _____

File _____

Other _____

<u>Uncovered</u>	<u>Workpaper copies</u> <u>(at least two)</u>	<u>Extra file copies</u>
Workpaper	_____	_____
Extra	_____	_____

Other Production Instructions:

Signing Reports

.14 After the report has been reviewed, typed, proofread, and corrected, it is usually submitted to a partner for final reading and signature.

.15 Some firms do not bind the report until after it is signed. This saves unbinding in case the signing partner orders any revisions. In offices where the reports have been sufficiently and systematically reviewed and referenced before or after typing, they may be submitted to the partner for his signature in final bound form. This saves time and additional handling.

.16 The transmittal letters and addressed envelopes should be submitted to the partner with the reports. This gives him an opportunity to review the mailing directions, so that reports are directed to the proper person.

.17 Report letters are usually signed by a partner using the firm name. Where reproducing equipment is used, a signature on the original is sufficient. There is no complimentary closing. It is important to establish rules applying to report signatures since all reports (and correspondence) issued to clients carry with them the reputation, authority, and responsibility of the firm.

Delivery of Completed Work

.18 Audit reports are rightfully considered by clients to be confidential documents. For this reason, care should be taken to address them to a responsible person, usually the treasurer or principal executive, in an envelope clearly marked "confidential." Where there is some question as to the person or persons to whom the report should be delivered, address it to the specific source of authority authorizing the report. In a majority of cases, especially for recurring engagements, the reports are mailed. However, some firms make it a practice to have a partner deliver the report personally and discuss it with the client.

.19 The report should be mailed in envelopes or boxes sturdy enough to withstand the rough treatment they may receive in transit.

.20 Many firms send separate transmittal letters with their reports. The letter should contain no comments on the report because it might be construed as a modification of the opinion on the report. It is advisable to write a letter requesting that a printer's proof be submitted to the accounting firm for review before any printed reports are released by the client to stockholders or the public.

.21 Reports are generally issued only to the client who engaged the services. The unauthorized distribution of a report represents a violation of the confidential relationship between a firm and its client. Firms are sometimes asked by clients to mail copies of their reports directly to third parties. Clients should be discouraged from making such requests. In rare instances, where a firm assumes this added responsibility, distributions are made only upon specific written instruction from the client, and reference to the client's instructions should be included in the transmittal to the third party. Printed annual reports to shareholders, prospectuses, and other reports that are a matter of public record, such as those filed with certain governmental agencies, are obvious exceptions to this rule.

TECHNICAL HOTLINE

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