

ENGAGEMENT PLANNING AND SUPERVISION

1. Engagement Letter. Contact audit manager two weeks in advance of the beginning of the audit engagement to request the engagement letter be sent to the auditee. Auditor should obtain the engagement letter from official and have it signed at the entrance conference. After scanning the engagement letter, it can be returned to the official.
If the official can't provide the engagement letter, contact Lorrie Hawkins, or your audit manager for a copy. (A)

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

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

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

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

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

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

NOTE: Review APA Policy folder for policies applicable to Sheriff Fee Audits.

5. Entrance Conference. Hold and document entrance conference. Discuss information in the Engagement Letter, including the type, scope, and timing of the audit including the items outlined in the Engagement Letter with responsible officials or staff and, if applicable, the audit committee of the governing body. Also, discuss adequacy of working space for the audit team, access to client records, and assistance, if any, to be furnished by the client. Obtain a signed copy of the engagement letter and document your discussion with the official. Go over each item in the Entrance Conference Document.
If Sheriff has bank accounts that are not reflected in the audit, discuss with Manager as to how to proceed. These are accounts other than forfeiture, donations, grants and payroll.

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

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

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

Suggested areas to review are: (L,E)

- a. Internal Control Questionnaire.
- b. Any adjusting and reclassification entries.
- c. The prior year review notes.
- d. The exit conference and audit report presentation.
- e. The governmental audit planning form.
- f. Recommendations to future auditors.

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

Initial/Date	Reference
	A-01
	A-01a
	Auditor Independence statement on file at APA office in Frankfort A-29
	A-02
	A-29a
	A-03
	A-05, A-06

OR

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

b. Review the predecessor auditor's audit documentation.

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

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

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

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

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

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

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

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

Expenditures of Federal Forfeiture Funds should be included on the SEFA.

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

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

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

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

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

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

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

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

Please complete A-10a (auditor retained specialist) or A-10b (management retained specialist) as needed.
contact audit manager and QA for appropriate forms-AUD 603 or AUD-604. (AU-C 620.07)

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

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

The user auditor should determine whether he or she has obtained a sufficient understanding of the nature and significance of the services provided by the service organization and their effect on the user entity's internal control relevant to the audit to provide a basis for the identification and assessment of the risks of material misstatement. The user entity may have sufficient controls over the information processed by the service organization. This is typically the case in most small business audits in which the entity uses a payroll processing service. However, if the user auditor is unable to obtain a sufficient understanding at the user entity, the user auditor should obtain that understanding from one or more of the following sources:

•Obtain and read a copy of one of the following types of service auditor's report on the service organization's control system, if available:

— Type 1 report. Report on management's description of a service organization's system and the suitability of the design of controls.

Initial/Date	Reference
	A-04 A-04.1
	A-04a
	A-09
	S series
	A-10 series
	N/A or A-11 Series

	Initial/Date	Reference
<p>— Type 2 report. Report on management’s description of a service organization’s system and the suitability of the design and operating effectiveness of controls</p>		
<p>Please see AU-C 402 and talk to your manager if you have further questions or issues, in regard to service organizations.(E, F, H)</p>		
<p>If the governmental unit uses a service organization to hold or maintain accountability for assets, execute transactions, or maintain records on the unit's behalf, consider the significance of the service organization's internal control to plan the audit. If it is necessary to obtain a service auditor's report on relevant aspects of the service organization's controls, apply additional procedures related to use of service organizations. (E, F, H)</p>		A-11
<p>9. Fiscal Court Order Review. Review fiscal court orders for salary limitations, approved budgets and amendments, fee pooling ordinances, approved equipment purchases, and any other significant matters. Obtain a copy of the approved budget and amendments to include in the audit documentation. (E, F) <i>Budget to actual comparison can be performed on the 4th Quarter Report or on Z-04c but should compare budget to financial statement expenditures after all adjustments have been made and should include payroll.</i> Obtain a copy of the Annual Order Setting Maximum Amount For Deputies And Assistants (Under 70k's). Obtain a copy of the General Term Order (Over 70k's). Obtain a copy of the fee pooling ordinance, if applicable. Obtain a copy of any amendments to the fee pooling ordinance. <i>Some fiscal courts have amended the ordinance to allow the County Sheriff to pay for some miscellaneous items other than refunds. If this has occurred, with documentation, we will amend Note 1.d in our audit report. If the County Sheriff's financial statement includes disbursements other than payments to districts and refunds, we would expect the ordinance has been modified, or the auditor should include an exit conference comment and exit with Judge. Consult with Audit Manager as to whether or not include in report. If ordinance allows for other disbursements, the official should properly budget for these items.</i></p>		A-07 A-25, A-26 Z-04c G-03a G-03a A-07a
<p>10. 4th Quarter Report. Obtain a copy of Sheriff's fourth quarter financial report. This is the starting point for B-01 and B-02.</p> <p>a) Recap summary of 4th quarter on recap of receipts and disbursements ledgers. Compare totals per receipts and disbursements ledgers to the fourth quarter financial report. Document your comparison. <i>(Note: Quarterly #s on A-12a are linked to ledgers at B-01 & B-02)</i></p> <p>NOTE: Make sure to include a comment in the exit conference if the official is not preparing the correct quarterly financial report or if they are not submitting in a timely manner. (All fee related accounts should be included on the front page of the 4th quarter f/s. If not you should have an exit comment (verbal or written))</p> <p>b) Inquire from Audit Manager if there are any delinquent letters from DLG. If yes- add to A-12 series <i>(Note: DLG is sending letters notifying officials if they are delinquent. Refer to APA policy #48.)</i></p> <p>Please identify what debt service and interest paid is for since this affects allowability.</p>		A-12 A-12a B-01, B-02
<p>If the fourth quarter financial report is not accurate or complete, recap the receipts and disbursements ledgers (foot and cross-foot these ledgers) or obtain summary reports. Include a comment in the exit conference if the fourth quarter financial report is not accurate or not complete.</p> <p>Do not recap the receipts and disbursements ledgers unless it is absolutely necessary.</p>		B-01 B-02
<p>11. Settlement. Obtain a copy of the Sheriff's annual settlement of excess fees. Settlement should be provided to fiscal court by March 15 (KRS 134.192 (11)). (N/A for over 70k counties)</p> <p>a) Compare the Sheriff's annual settlement of excess fees to the fourth quarter financial report. Include a comment in the exit conference if annual settlement does not materially agree to the fourth quarter financial report. <i>(Note: Quarterly #s on A-13a are linked to ledgers at B-01 & B-02)</i></p>		A-13 A-13a
<p>12. Official's Policy and Procedures Manual. Obtain a copy of the sheriff's P&P Manual</p>		A-14
<p>13. Materiality. Complete the financial statement materiality worksheet. List the accounts that equal or exceed planning materiality. Based upon this evaluation, these receipts and disbursement accounts should be tested during the audit engagement. Use auditor judgment to determine if additional non-material accounts should be tested based on fraud risk or identified risk factors or</p> <p>In performing the audit, the auditor is concerned with matters that, either individually or in the aggregate, could be material to the financial statements. The objective of the auditor is to ev: (AU-C Section 320)</p> <p>a. identified misstatements on the audit and b. uncorrected misstatements, if any, on the financial statements (AU-C 450.03)</p> <p>Section AU-C 500, Audit Evidence, says the auditor is not free to collect unlimited amounts of evidence, as he or she must work within economic limits. However, cost cannot be the sole basis for the quantity or quality of audit procedures, and the difficulty and expense of a test is not a valid reason for omitting it. (D, I)</p>		A-16 A-16a
<p>14. Preliminary Analytics. Perform preliminary analytical procedures and determine the effect on the nature, timing, and extent of other auditing procedures. Document (a) the expectation and factors considered in its development, if not obvious,</p>		

(b) results of comparisons of the expectation to recorded amounts, and c) conclude as to whether any additional auditing procedures will be performed in response to significant unexpected differences.

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

Analytical review is located at B-00.

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

Initial/Date	Reference
	<p>A-17 (See B-00)</p>
	<p>A-19 A-19a</p> <p>A-18 A-18a A-18c</p> <p>A-18d</p>
	<p>A-23</p>
	<p>A-02 A-02a</p>
	<p>A-21 A-21a</p> <p>A-23</p>

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

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

15. Overview of Risk Assessment Process

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

a) Gain an Understanding of the Entity and its Environment

Obtain an understanding of the sheriff's office and environment and its audit risk factors (including the risk of material misstatement due to fraud) by completing the Understanding the Entity Form and the attached Documentation Table. (AU-C 315)

b) Document Internal Controls

Complete the coversheet to the internal control questionnaire to aid in completing the ICQ. Complete the Internal Control Questionnaire (or prepare narratives on internal control to document your understanding and evaluation of the design and implementation of the sheriff's internal control system).

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

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

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

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

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

- c) **IT Questionnaire.** Complete information technology questionnaire, AU-C 315.19 requires the auditor to obtain an understanding of the information technology controls and their significance in relation to the audit of the financial statements, and then determine the need for an information technology specialist. (I,C)
- d) **IT Risk.** Complete documentation for each significant internal control area if control risk is set at maximum and assertions are significantly dependent upon computerized information systems. (I,C)
- e) **If a data breach was identified in the entrance conference, include a copy of the official's data breach policy and contact your audit manager for further instruction.**
- f) **Fraud Risk Assessment.** Obtain an understanding of the governmental unit, its internal control, and its audit risk factors (including the risk of material misstatement due to fraud) by completing Fraud Risk Assessment Form. Use Fraud Interview Outline to document interviews. If information concerning a possible non-compliance with laws & regulations [AU-C 250], or fraud [AU-C 240] came to the auditor's attention during the performance of this audit, as well as the identification of any fraud risk factors, discuss with the Audit Manager. The AIC should then obtain an understanding of the nature of the act, the circumstances in which it occurred and sufficient other information to evaluate the effect on the financial statements. Identify all risks of magnitude, which are likely and summarize on Risk Assessment Summary at <A-23>. (C,F)

	Initial/Date	Reference
Determine if there is a need for a staffing change due to fraud risks noted. Contact your audit manager for guidance.		
g) Qualifications Checklist. Review the Qualifications Checklist at Z-22 to familiarize yourself with the issues to look for during the course of the audit. The checklist should be completed after testing. (F)		Z-22
h) Review the list of possible internal control deficiencies listed in Examples of Internal Control Deficiencies to familiarize yourself with the issues to look for during the course of the audit. (C,I)		Z-23
i) Review Inherent Risk Factors Form. Inherent risk is the susceptibility of an assertion about a class of transactions, account balance, or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls. (C, I) Inherent risk will be documented on A-23.		A-22/A-23
16. Brainstorming (Team Discussions). (AU-C 315.A22) Hold brainstorming fraud and risk discussion. Identify all risks of magnitude which are highly likely and summarize on Risk Assessment Summary at A-13, and Fraud Risk Assessment at A-23 . AU-C Section 240 indicates that this discussion should include an exchange of ideas or brainstorming about (1) how and where the entity's financial statements might be susceptible to material misstatement due to fraud, (2) how management could perpetrate and conceal fraudulent financial reporting, and (3) how assets of the entity could be misappropriated. This discussion should set aside beliefs about the honesty and integrity of the entity's management and those charged with governance. [C]		A-20
Document follow-up meeting at completion of fieldwork		A-20
17. Inquire of Audit Manager for any hotline tips and/or allegations to consider for risk assessment. Test accordingly. [C]		A-20a
18. Complete Risk Assessment Summary and Test Plan. (C,F,I)		A-22, A-23
19. Audit Planning Memo. Use the information developed concerning materiality levels, the internal control and the related assessments of control risk, the results of analytical procedures, and the evaluation of other factors impacting audit risk to plan the following and document in memo form: (M)		
a) The extent of supervision and staffing requirements. b) The overall strategy for the conduct and scope of the audit. c) The nature, timing and extent of substantive tests. d) Overall evaluation of audit risk. e) Document conclusions in the planning document and revise time budget, if necessary.		A-24
20. Tests of Controls. If you have decided to test internal controls, complete appropriate forms. Test of internal controls must be completed to support control risk set below maximum . If control risk is set below maximum and is supported through internal control testing, you may be able to reduce your substantive tests. (C,I)		
Note: Tests of controls are required in the following instance: If substantive procedures alone are not effective to reduce risk to an acceptably low level, typically in highly automated processing environments in which a significant amount of information is initiated, authorized, recorded, processed, or reported electronically.		E-01 F-01 G-01
21. Substantive Tests. To plan substantive tests to be performed once control risk is assessed and/or internal controls are tested, complete appropriate forms. Percentage of coverage is documented at Z-11. (C,I,M) Note: Included in B-00.		Z-11
While designing substantive testing, incorporate an element of unpredictability to address the risk of management override of controls. See A-23 Financial Statement level risks for guidance.		(See B-00)
For any test where we say "select XX judgmentally" document any change from the stated amount and why you felt that was appropriate or necessary.		
Steps for Planning The Extent of Substantive Tests of Expenditures:		
a) Assess the appropriate level of tolerable misstatement (as a rule of thumb, use 90% of performance materiality). This is stated on the materiality worksheet. ALL accounts above materiality should be tested (list material accounts on materiality worksheet at A-16 and where tested).		A-16
b) Determine an amount for individually significant dollar item. Any amount less than tolerable misstatement may be used (General rule is 1/3 of performance materiality).		Z-11
c) Identify unusual items. Identification of additional items to be tested 100%.		
d) Calculate remaining balance and percent of coverage after selecting individually significant items. If you have enough coverage, scan expenditures and judgmentally select 10 operating disbursements to test. If sampling is necessary, see E-04. (See revenue and expenditures section step 10 for test)		
22. Time Budget. In-charge auditor will prepare time budget based upon the hours set by manager. If a budget amendment is necessary, the auditor should submit this to the audit manager before the original budget hours are exceeded. The approved request should be placed in the audit documentation.		Z-17a
23. Legal Rep Letter. Obtain a legal representation letter from the County Attorney. The Sheriff must sign the legal representation letter request. If you cannot		

obtain a legal representation letter, contact your manager for guidance.
 Prepare a conclusion based on the County Attorney's response. (N) (AU-C Section 501)
Legal representation letter should be obtained prior to or on end of fieldwork date. If the legal representation letter is dated more than 30 days before the end of fieldwork date, auditor should follow up to determine if any changes have occurred since the response was received.

Initial/Date	Reference
	Z-10
	A-27
	A-28
	A-28a
	M-02
	N/A or A-00a

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

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

26. **Other Funds.** Determine if the official maintains any trust funds or other funds not subject to be turned over as excess fees and ensure that sufficient audit procedures are completed for these funds. Examples of trust funds are: HRA/FSA accounts; Bank accounts held by the official to administer a specific activity, i.e. a scholarship, grants.
 Audit procedures could include: Perform a bank trace and/or proof of cash; Test checks to ensure appropriate disbursements; Gather information necessary for note disclosure. (This list is not all-inclusive) Auditor should base procedures on risk assessment and materiality of the funds. AU-C Section 330 (C,F,M,N)
Note: State and Federal forfeitures should be maintained in separate bank accounts in order to determine compliance with forfeiture court orders. Test the receipts at M-02. This is a federal requirement and should be included in exit conference if they are not in separate bank accounts.

27. **COVID-19.** Will the majority of substantive testing be performed on-site? [C]
 Yes _____ No _____
 If "no", complete audit documentation regarding COVID-19 at A-23.c. If "yes", delete the COVID-19 folder at A-23.c.
NOTE: In order to answer "yes", the majority of testing MUST be performed at the audit site. If records are picked up from the official and testing is performed off-site, auditor must complete COVID-19 audit documentation.

28. **Significant Issues.** If you discuss significant audit or reporting issues with the auditor in-charge or audit manager, document these discussions in the audit documentation. (L)
If conditions are found that could lead to an opinion modification, notify AM immediately to determine amount of testing.

AUDIT EVIDENCE

1. Review Audit Evidence Memo at A-30.
 - A. The auditor should evaluate information to be used as audit evidence by taking into account
 1. the relevance and reliability of the information, including its source, and
 2. whether such information corroborates or contradicts assertions in the financial statements.
 - B. The auditor's evaluation of the information to be used as audit evidence in accordance with the preceding paragraph should include
 1. evaluating whether the information is sufficiently precise and detailed for the auditor's purposes and
 2. obtaining audit evidence about the accuracy and completeness of the information, as necessary

	A-30
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CONCLUSION

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

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

	A-50
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CASH

Audit Objectives:

(A-F establish links from assertions)

- A. Existence or Occurrence: Cash as reflected in the financial statements (deficit statement) is on hand, in transit, or on deposit with third parties (depositories/other governmental agencies) in the name of the Sheriff.
- B. Rights and Obligations: Conditions or agreements that limit the Sheriff's rights to or obligations concerning cash are properly reflected in the financial statements.
- C. Completeness: All Cash of the Sheriff's office is included in the financial statements (deficit statement) and related disclosures are included.
- D. Valuation or Allocation: Cash balances per Sheriff's financial records reflect a proper cutoff of receipts and disbursements and are stated at the correct amount and all related disclosures have been appropriately documented.
- E. Presentation: Cash balances are properly presented (deficit statement), and related disclosures are relevant and understandable in the context of the reporting framework.
- F. Cut-Off: Cash receipt transactions at year end have been collected and recorded in the correct accounting period.

	N/A
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(Additional Objectives-Compliance)

- G. To prepare a proof of cash and reconcile to receipts and disbursements ledgers, and to audited financial statement.
- H. Depositories are legally acceptable and separate depository accounts are maintained as required.

Note: The deficit schedule is Supplementary Information and is prepared from the official's accounting and bank records. These are the same records used to prepare the financial statement at B-03.

AUDIT PROCEDURES:

1. Determine the amount of the change fund, if any, and the effect on the ending book balance. (A)

2. Have Sheriff provide a list of bank accounts. This should include any "off the books" accounts, plus any other accounts normally included in the audit. Have the Sheriff sign the list and scan into the audit binder.

If Sheriff has 'off the books' accounts, consult with Manager as to how to proceed. ©

2. Confirm bank balances as of December 31st by direct correspondence with the banks for all bank accounts that were opened any part of the year. Include all bank accounts: Drug Forfeiture (State and Federal should be separate accounts), DARE, law enforcement, donations, payroll, etc. Consider confirming any prior year accounts. (A, B, C)

Tax Accounts do not need to be confirmed as this is done in the STS audits.

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

Contact audit manager if official refuses or is unable to sign bank confirmations.

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

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

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

Note: If you use the confirmation.com service or any service that requires payment from the APA, notify Tim Gutman with the details ASAP.

Practical Considerations:

- If the client only has a few bank accounts, confirmations should be sent for every account. However, if the client has one or two primary accounts and numerous secondary accounts that have minimal activity, confirmations may be requested for only the primary accounts. For the accounts not confirmed, the bank balance shown on the bank reconciliation can simply be agreed to the bank statement.
- Retain a copy of your standard financial institutions account balance confirmation request in case second mailing is necessary. In lieu of a second mailing, consider that a phone call to the bank may be more effective.
- Inefficiencies can be avoided by relying on alternative procedures for confirmations not received. Rather than incur significant time trying to follow up on nonresponses (or incorrect responses) for secondary accounts, the auditor might elect to simply agree the bank balance per the bank reconciliation to the bank statement.

Proof of cash is required.

Prepare proof of cash as of December 31st (year-end) and reconcile to recap of receipts and disbursements ledgers and audited financial statement.

Do not remove refunds since these will be moved above the operating expenses.

3. Proof of Cash:

a) Trace deposits in transit to subsequent bank statements and to cash receipts records. (F, D, E)

b) Determine if there are abnormal delays in daily receipts being deposited. An abnormal delay is defined as follows: Any business day's receipts should be posted to the bank statement within three business days. Explain delays on worksheets listing deposits in transit. (D, F)

c) Determine if deposits are made intact. (F, E)

d) Obtain or prepare a list of outstanding checks. Confirm that outstanding checks cleared the bank in subsequent months. (F, E)

e) Obtain or prepare a list of obligations paid after year-end. Confirm that these checks cleared the bank in subsequent months. (F, E)

f) Prepare a list of unpaid obligations at year-end for deficit statement if necessary. (F, E)

g) Obtain list of receivables at year-end. Confirm that receivables were collected

Initial/Date	Reference
	A-02 B-06
	B-04.1
	B-05
	N/A
	B-06
	B-06a
	B-06a
	B-06a
	B-06c
	B-06d
	B-06d

and deposited into the bank. (H) **If receivables are material, consider testing. If receivables are mostly accounts receivable and not routine receivables, further testing may be necessary. See Test of Daily Receipts section - Step 1h.**
See F-14 and F-15 for review and test of accounts receivable.

h) Document and explain any material reconciling items in the proof of cash not covered above. (overpayments) (F)

i) Determine the status of any uncollected returned checks (NSF checks).

Verify amounts were redeposited or turned over to the County Attorney at year end.

Verify pay in vouchers were shorted for uncollected NSF checks (Over 70,000 only)

The Sheriff can be given credit for uncollected returned checks if it can be documented or verified

the checks were given to the County Attorney's office. If checks are not turned over to the County Attorney,

auditor should include an exit conference comment suggesting service be cancelled if possible,

and check turned over to the County Attorney. If uncollected amounts are unreasonable, contact your Manager.

Scan returned checks to determine if any were personal checks of the Sheriff or deputies.

j) Review cash receipts and disbursements ledgers for each bank account for a reasonable period (normally five business

days before and after December 31, (Year of Audit) to identify inter-bank transfer checks and deposits,

then visually determine recording in proper period. Specifically determine that:

– Transfers between each ledger were recorded in the same period; i.e., all before year-end

transfers were recorded in each ledger before year-end, and vice versa for post year-end transfers.

– Transfers not clearing the bank in the same accounting period as they were

initiated are properly reflected as reconciling items on the bank reconciliation. (F,D)

k) Reconcile receipts and disbursements per proof of cash to audited financial statements. (F, E, D)

If adjustments are material, include an exit conference and report comment. If adjustments are not material, but are numerous and indicate problems, include an exit conference comment.

Note: If QuickBooks/Quicken are used to reconcile accounts- checks may be backdated in system since these software types are data driven and will not necessarily cause a finding.

4. **Other Accounts:** Prepare bank trace, proof of cash, or other procedures considered necessary on all other revolving accounts such as Payroll Account. Determine if these accounts reconcile to zero.

If accounts do not reconcile to zero, notify Audit Manager to determine if further procedures are necessary.

Keep in mind that unidentified funds in these accounts can result in additional excess fees due to Fiscal Court.

Make sure to include accounts receivable and outstanding liabilities. (A,C,E).

Perform proof of cash

4a. **Donation Accounts:** Verify the sheriff is in compliance with KRS 61.310(8), by including the following information in audit documentation:

1. The name and address of the donor

2. A general description of the donation

3. The date of acceptance of the donation

4. The monetary amount of the donation, or its estimated worth, and

5. Any purpose for which the donation is given

The register shall constitute a public record, be subject to the provisions of KRS 61.870 to 61.884, and be made available to the public for inspection in the sheriff's office during regular business hours.

See revised office policy #9 for guidance on donation accounts.

5. **Fiduciary Accounts - Evaluate any accounts identified as being fiduciary in nature using the evaluation form at B-12. (Note: Use a separate evaluation form for each account. Prepare/modify note disclosures to correctly identify each account.**

5a. **Escrow Accounts:** Prepare bank trace, proof of cash or other procedures considered necessary. Determine

escrow accounts are being maintained and escheated properly to the state. Prepare appropriate financial

statement note disclosures for the audit report. Notes to financial statement should only include notes for funds

already escrowed. If in current year audit, you are recommending funds be escrowed, then they would not be

included in notes to financial statement as an escrowed account. You would recommend that they escrow funds in

exit and follow up in next audit and report/disclose properly. All escrow funds should be reviewed each year.

Refer official to KRS Chapter 393A for guidance on escrow accounts.

5b. **Sheriff Evidence Holding Accounts:** Prepare bank trace. No further procedures necessary. Amounts are for note disclosure only.

5c. **Sheriff Trust Accounts:** Perform proof of cash on trust accounts for note disclosure. Agree receipts and disbursements to court orders.

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

AIC/Manager approval required for these procedures.

1. Perform surprise cash count. (A, B)

2. Perform monthly proof of cash. (D, E)

3.

Initial/Date	Reference
	B-06b
	B-06
	B-06f
	B-06e
	B-06 B-01 B-02
	B-__
	B-15
	M-04 B-__
	B-11
	B-12
	B-13
	B-14
	Add ref

Initial/Date	Reference
	B-07

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

CONCLUSION

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

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

	B-50
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INVESTMENTS AND DEPOSITS

Audit Objectives:

(A-E establish links from assertions)

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

(Additional Objectives-Compliance)

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

	N/A
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AUDIT PROCEDURES:

- 1. Obtain or prepare a schedule of investments
 - a) Verify that all investments and interest-bearing bank accounts revenues were properly accounted for. (D, E, C, B)
 - b) Confirm investment balances if not done in cash section above, to determine accurate valuation.
- 2. Determine how much FDIC coverage the official has. (A, E)
- 3. Test of Deposits and Investments (A, B, C, D, E, F)
Confirm pledge of securities with depositories as of the settlement date. High balance date should be tested **only** if custodial credit risk for deposits is deemed high risk.

This test should include **ALL bank accounts**, however if tax accounts are maintained at a different bank from the fee related accounts, then do not include the tax accounts.
- 4. Include a copy of the written securities agreement in audit documentation. (A-F)
If the official or county has no written agreement with the bank, include a comment in the exit conference and audit report, as we have done in the past. Consider Internal Control Aspect if this is a repeat comment.

Policy Note: All uncollateralized funds should be reflected in the exit conference and notes to the financial statements. Refer to Policy #18 Collateralization of Deposits for guidance on when to include as a report comment.

	B-08 B-05a or B-10a
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	B-08
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	B-08
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	B-08a B-08b B-09
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Note: **AU-C 505** states that an oral response to a confirmation request does not meet the definition of an external confirmation.

Practical Considerations:

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

- 1. Determine the officers, employees, or agents of the governmental unit having official custody of funds and lawfully entitled to deposit funds.
- 2. For each official custodian depositing funds in each insured bank in a state in which the governmental unit is located.
- 3. Add together all time and savings accounts (including all NOW accounts, money market deposit accounts, etc.). Add all demand deposits

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accounts (e.g., interest and noninterest bearing checking accounts). The total of these accounts is insured up to a maximum of \$250,000 for each type. The total FDIC will be \$500,000. This is true for officials doing business with banks within the state.

4. For each official custodian depositing funds in each insured bank in a state outside the state in which the governmental unit is located, add together all demand deposit accounts and time and savings accounts. The total of all these accounts is insured up to a maximum of \$250,000.
5. When an insured bank acts as a fiduciary or co fiduciary of trust accounts, each separate trust estate is insured up to a maximum of \$250,000
6. The FDIC coverage of Section 457 deferred compensation accounts varies depending on the trust provisions in effect and the financial institution where the funds are being held.

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

5. If repurchase agreement exists:

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

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

AIC/Manager approval required for these procedures.

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

CONCLUSION

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

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

RECEIPTS AND DISBURSEMENTS

Audit Objectives:

(A-F) establish links from assertions)

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

(Additional Objectives-Compliance)

- G Compliance with applicable laws and regulations.

Evaluation of Audit Risk

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

Audit Procedures for Receipts and Disbursements:

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

1. Commission Test

Review reference documents 10- Sheriff's December Tax Commission Policy 10a- OAG opinion prior to testing tax commissions. Document the sheriff's policy on handling of December tax commissions.

Compute current year Sheriff's commission on prior year taxes by obtaining total

Initial/Date	Reference
	N/A
	B-09
	Add ref

	B-50
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	N/A
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Sheriff's commissions from the Sheriff's settlement - reduced by commissions charged on previous audits; (This information is available in the prior year working papers.)
 Add computed current year Sheriff's commissions on prior year taxes to current year taxes (obtained from fall monthly reports). Compare Sheriff's commissions computed to recap of fee receipts ledger and fourth quarter financial report or annual settlement. (B,D,E)

APA Policy is established to ensure all County Sheriffs are allowed a normal tax year of commissions earned when tax bills are late. On February 15, 1972, the Office of Attorney General issued OAG 72-117 (copy included) which states in part that "... a fair and equitable solution to this problem would be that you should allocate your tax commissions...that would have normally been collected....and take credits against such fees (and any other office compensation) any office expenses and deputy salaries paid out of such fees, including your own compensation...." A normal tax year is defined as what is normal for a particular county.

Note: OAG 72-117 also allows expenses to be paid from rolled back commissions that are related to the prior calendar year. This would include prior year deputy and sheriff salaries payable, prior year gasoline and auto expenses payable, or other expenses directly related to the prior year. If you have questions concerning these expenses, contact your audit manager or assistant director. There are a few sheriff offices who have been on a calendar year collection basis for many years who will not be involved in rolling back commissions unless they fall further behind.

Discuss any adjustments due to timing issues with audit manager prior to making adjustment.

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

- 1 Trace each commission check from tax to fee account.
- 2

2. Tests of Daily Receipts

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

- a) Place a copy of a randomly chosen receipt in the audit documentation.
 - Verify receipt forms are issued in accordance with KRS 64.840.
 - (If not issuing receipts add comment in report).
 - Receipts should be prepared in triplicate - KRS 64.840(2).
 - Verify Sheriff is retaining all copies of voided receipts. (F)
- b) Verify receipt forms are batched daily. (A, D)
 - Foot the batch of prenumbered receipts and compare with the daily checkout sheet.
 - Verify Sheriff is Accounting for Numerical Sequence of All Receipts Daily
- c) Scan daily checkout sheets to determine if correct fees are being collected. Document on the checkout sheet. (A, D)
Determine if voided receipts appear reasonable.
- d) Foot the daily checkout sheet. Verify that the daily cash checkout sheet is posted to the receipts ledger.
 Document on the checkout sheet. (D)
- e) Determine if correct fees are being collected. Document on the checkout sheet. (D)
 Document on the checkout sheet. (D)
- f) Compare daily checkout sheets total to bank deposit and receipts ledger. (D)
 - Determine if all funds collected daily are deposited
 - Determine if sheriff is accounting for Overages/Shortages. Overages should be deposited to fee account.
 - If possible Determine if Cash/Checks per Checkout sheets agree to Checks/Cash per Deposit
- g) Determine if there are abnormal delays in daily receipts being deposited.
If so, Comment in Report and Analyze Year-End Deposits In Transit (F)
- h) Determine Sheriff's Policy on Charge Business/Account Receivable and determine if they are accounted for properly.

Software programs allow for an accounts receivable category on the receipts ledger. If this line item is on the receipts ledger, it needs to be resolved. THERE SHOULD BE NO NEGATIVE RECEIPT LINE ITEMS. Official could be using this line item to cover shortages or may have uncollected accounts receivable. Either of these situations requires the auditor to document what makes up the balance in the account. If the Sheriff does have uncollected accounts receivable or an unexplained shortage, the negative amount should not be adjusted to another line item. It should be undeposited receipts and will affect your excess fees due. This is different from an auditor's adjustment because the Sheriff is responsible

Initial/Date	Reference
	F-07 F-07a F-08 F-09
	Add ref
	F-12
	F-11 F-11a
	F-12
	F-12 B-06a B-06b
	F-15

for collecting all accounts receivable by December 31. Uncollected accounts receivable is equivalent to the Sheriff giving away free services, and affects agencies other than the Sheriff's office.

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

AIC/Manager approval required for these procedures.

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

3. Refunds. Review the refund and miscellaneous columns of the receipts and disbursements ledgers. Reclassify receipts and disbursements accounts as necessary (such as receipts from state or county). The results may affect other auditing procedures. (E)

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

4. State Payments. Trace payments from the State to Sheriff's receipts ledger. (A)
a) Make reclassifications to agree with state payments list if revenues are materially misclassified. If state payments were not deposited, consult with auditor-in-charge. (B, E).

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

b) Email Jamie Kenyon a State Payment/eMars Research Request Form for unexplained payments. [C]

Consider risk and materiality. It may not be necessary to research trivial amounts with low risk.

NOTE: HB452 should be classified under State Payments. May be listed on Quarterly under Circuit Clerk Payments.

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

5. County Payments. Obtain list of county payments made to the Sheriff and trace to recap of receipts ledger. (A)

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

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

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

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

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

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

6. County Clerk - Delinquent Tax. (If Material or Identified as Increased Risk)

Obtain payments from County Clerk for delinquent tax fees and compare to recap of fee receipts ledger. Make reclassifications on the receipts ledger recap to agree with the payments from County Clerk if receipts are classified improperly.

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

7. Circuit Court Clerk Payments. (If Material or Identified as Increased Risk)

Obtain payments from Circuit Court Clerk and compare to recap of fee receipts ledgers. Make reclassifications on the fee receipts ledger recap to agree with the payments from the Circuit Court Clerk if receipts are classified improperly. If payments were not deposited, consult with the in-charge auditor. (B,E)

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

8. 10% Add-On Fees. (If Material or Identified as Increased Risk)

Obtain amount of 10% Add-On Fees collected during current year from appropriate audit report for Sheriff's Settlement. Compare amount of 10% Add-on Fees collected per audit report for Sheriff's Settlement to receipts ledger. Explain any differences.

9. Federal Surplus Program (A.K.A. - LESO Program, 1033 Program)

- If sheriff received surplus property, inquire with sheriff to see who oversees the program for the sheriff's office and obtain an understanding of how the program is administered. Write a memo/narrative describing the sheriff's policies and procedures for this program.
- Obtain the "State Plan of Operations" agreement that is between the state and sheriff. Review agreement for program requirements (See sample agreement in workpapers)

Initial/Date	Reference
	Add ref
	B-01 B-02
	F-05 F-05a F-05b
	F-03 B-01
	F-04 B-01
	F-06
	F-10
	F-21, F-21a, F-22 F-23

	Initial/Date	Reference
<ul style="list-style-type: none"> Obtain Sheriff's annual inventory records for the program and compare to the LESO worksheet in the State Payment folder. Do NOT contact state LESO coordinator to obtain sheriff's inventory list. If sheriff does not have an inventory list, you will have a finding. 		F-24
<p>LESO Reports are done every other year. (Even years). See the Fee Official State Payments Folder on the H drive</p>		
<ul style="list-style-type: none"> From the LESO worksheet judgmentally select items (Large and/or Unusual items) and verify existence and compliance with program requirements such as use, inventory, disposal, and report requirements (Note: Could be both newly acquired items or "Controlled Property" which the Sheriff should still have in inventory). Auditors should base testing on risk. If there were no issues in the prior year and no additions/deletions in the current year, then this step is not required. Please document reasoning for not testing inventory on F-25. 		F-25
<p>**Grant section is located at Step 13</p>		
<p>Additional Specific Testing If Applicable:</p> <ol style="list-style-type: none"> 		Add ref
<p>10. a. Test of Operating Disbursements: Compliance Testing</p>		
<p>Note: For over 70k counties, see A-00a for operating disbursements procedures.</p>		
<p>Per Step 21 in Engagement Planning and Supervision, if coverage is adequate per Z-11 judgmentally select 10 operating disbursements from the fee account. Consider if expanded analytics are necessary for any material operating disbursement accounts. If coverage is not deemed adequate consult AM. Use E-04 to determine sample size if true sampling is needed.</p>		E-05
<p>If you select more than 10 items to test for compliance, you must document your rationale! Auditor judgment should specify why you deviated from the audit program. (For example- Test did not provide sufficient coverage, unallowable expenses noted, additional account found, etc.)</p>		Z-11 E-04
<p>Be sure to include abstracts of contracts or agreements or grants being tested, in your audit documentation.</p>		
<p>From the disbursements ledger or your recap of cancelled checks select operating disbursements and test for documentation, allowability, classification, proper amounts, evidence of alteration, endorsement, and possibility of duplicate payment. Include in this test:</p>		
<ul style="list-style-type: none"> Transactions in material accounts that have not been previously tested. Individually significant dollar items, and unusual items 		
<p>If the Sheriff uses a credit card, include some of those disbursements. Be sure the Sheriff has copies of back up receipts, not just the statement itself.</p>		
<ul style="list-style-type: none"> If there are other disbursements, such as Drug Fund, Forfeiture Account, Grants, or DARE, they can be tested here or in a separate section. (Funk does not apply to these- Only Fee Account) 		
<ul style="list-style-type: none"> Determine if any vehicles were purchased and if the vehicle is titled in the county's name. 		
<ul style="list-style-type: none"> Discuss unallowable disbursements prior to adding to the financial statement. 		
<p>Funk only applies to fee account disbursements. (A,B,C,D,E,F,G)</p>		
<ul style="list-style-type: none"> ** Additional grant guidance is at Step 13. 		
<p>Do not include payroll items, as this is addressed in a separate test.</p>		
<p>Evaluate, for significant unusual transactions, the business purpose of the significant unusual transactions and whether it suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets. Use your understanding of the entity and its environment, as well as other information obtained during the audit. Document your work.</p>		WP Ref or No Significant Unusual Transactions noted during fieldwork.
<p>Guidance: You can add significant unusual transactions to the Disbursements test and add attributes to determine whether transaction indicates fraud or deception (See AU-C 240.32) as a way of completing this step. You can also create a separate workpaper for the evaluation.</p>		
<p>Identify all risks of magnitude which are highly likely and summarize on Risk Assessment Summary at A-23</p>		
<p>10. b. Other Accounts (A,B,C,D,E,F,G)</p>		
<p>Judgmentally select disbursements from other accounts such as grants, donations, etc. and perform the same steps on the E-05 workpaper for the fee account.</p>		E-05
<p>10. c. Credit Cards (A,B,C,D,E,F,G)</p>		
<p>Does the Official use credit cards for purchases and travel expenses? If so, obtain a list of vendor payments from Official. Scan for any large amounts. Judgmentally select transactions for testing. Auditor should select items based upon risk and number of transactions.</p>		E-07
<p>Suggested Further Procedures to perform in response to Risk Assessment (A-23)</p>		
<p>AIC/Manager approval required for these procedures.</p>		
<ol style="list-style-type: none"> Examine <u>all</u> credit card disbursements Examine all travel claims. Examine other areas as necessary. Expand sample. 		Add ref

	Initial/Date	Reference
10. d. State Advancement		
1. Determine that all state advances or other advances were paid in full.		E-08
2. Prepare short term borrowing schedule for state advancement. See B-00 (Follow step 11b.4)		E-22c
10. e. Excess Fees (A,B,C,D,E,F,G)		
1. Review cancelled checks for excess fees. Include copies in the audit documentation. <i>If check for excess fees is back-dated (i.e. dated December 31, ___), consult with your audit manager as to how to present on f/s.</i> OR		E-09
2. For "fee pooling" counties, review cancelled checks for each monthly payment to the county or review copies of the County Treasurer's receipts ledgers. Include copies in the audit documentation. OR		E-09
3. For over 70,000 counties, determine amount Sheriff paid to 75% account and 25% account. Include copies in the audit documentation.		D-02
10 f. Verify the Sheriff is bonded properly. (G)		E-11
11 Leases and Liabilities: (C,E,G)		
a. Determine if the sheriff's office has any leases.		E-20
1. Agree payments to lease schedule and determine if payments are made timely		E-20
2. Determine compliance with the terms of the agreements		E-20
3. Prepare lease note (for single lease) or lease note and schedule (for multiple leases). (If applicable) See B-00 or B-00a		E-21
4. Confirm ending balances if material.		E-21
b. Determine if the Sheriff is recording leases and/or liabilities on the quarterly report (Part Four - Liabilities Outstanding). (F)		A-12
1. Obtain all debt agreements and put into binder. Read the obligation to determine if additional disclosure information is needed for GASB 88. See guidance document. (C, E.) (This includes short term and long term borrowings)		E-22
Prepare a short term borrowing schedule for any funds borrowed and repaid in the current year.		
2. Determine compliance with the terms of the agreements		E-22
3. Confirm outstanding debt if material to financial statement		E-22b
4. Prepare notes disclosures and use appropriate schedule (these are located in the financial statement workbook) <i>*Refer to Q&A 2-3-16A to determine if a lease should be reported in the notes.</i>		E-22c
Suggested Further Procedures to perform in response to Risk Assessment (A-23) AIC/Manager approval required for these procedures.		
1) Consider performing the following procedures: (A, C, D, E, F) ζ ζ		
Note: AU-C 505 states that an oral response to a confirmation request does not meet the definition of an external confirmation.		
If you have any issues with confirmations, consider the following:		
If the auditor had doubts about the reliability of a response to a confirmation request, did the auditor obtain further audit evidence to resolve those doubts?		
If the auditor determined that a response to a confirmation request was not reliable, did the auditor evaluate the implications on the assessment of the relevant risks of material misstatement, including the risk of fraud, and on the related nature, timing, and extent of other audit procedures?		
12. Test of Payroll (A,B,C,D, E, F,G)		
If W-2 forms are used to document payroll, remember they are required to be prepared on a cash basis. A reconciliation to the deputy gross pay in our audit may be necessary. Do not include W-2 unless there are issues noted causing exceptions with W-2 reporting. Redact if using. Use Individual Earnings records instead. Redact all PII other than names, using the redaction tool in Adobe or by physically blacking all other identifying information other than the individuals name. Do not use a white box in Adobe since it can be removed.		G-02
Audit Steps:		
a) Assess risk at A-23.		A-23
Determine if the sheriff has a K-9 handler. Document how hours for K-9 care are handled. Determine that hours for K-9 handling have been included in K-9 officer's timesheets. (Regardless of fee pooling or not) Contact your manager if these hours are not included on timesheets.		
b) Determine if salaries are set by the Fiscal Court and if paid within limitations (NOT REQUIRED TO TEST LIMITATION IF FEE POOLING) Note: Employer matching share of social security and retirement is not a fringe benefit but a statutory requirement. These amounts and health insurance cost would normally not be included in the amount of deputy salaries set by the Fiscal Court unless they specifically include in a court order. Health insurance cost is authorized under KRS 61.405. (See compliance checklist)		G-03
c) Perform expanded analytical on ALL payroll accounts to determine if payroll reported on the financial statement is fairly stated (See expanded analytical guidance).		G-03
d) Verify that payroll is properly supported. (Not applicable to fee pooling counties).		G-03

Initial/Date	Reference
<p>1. Determine that timesheets (or daily attendance record) are completed for all employees.</p> <p>Test all employees timesheets for one pay period regardless of # employees.</p> <p>2. Determine that timesheets (or daily attendance record) are maintained.</p> <p>3. Determine that timesheets (or daily attendance record) are approved.</p> <p>4. Determine that timesheets (or daily attendance record) support hours worked and hours paid. (Recalculation is not necessary. Step can be completed by reviewing timesheets & payroll ledgers for selected period.)</p> <p>5. Determine that timesheets (or daily attendance record) document overtime (if applicable).</p> <p>6. Determine if leave taken on timesheets (or daily attendance record) agrees to leave balance reports.</p>	
<p>e) Review Individual Earning Records and Payroll Records to determine if Bonuses or other type of one-time payments are made. If found, please contact your manager due to bonuses not being allowed to be paid. Officials routinely make one-time payments for leave conversion when someone retires or resigns. Consider based on risk and number of such payments picking transactions of such payments and tracing to supporting documentation.</p>	G-03
<p>f) Tie in totals of individual earnings records to recap of disbursements.</p>	G-03
<p>g) Determine if salary paid to the Sheriff was made in accordance with the salary schedule approved by DLG. Perform the following procedures:</p> <ol style="list-style-type: none"> 1. Place a copy of DLG's Salary Schedule in the workpapers. 2. Place a copy of official's training benefit letter if applicable in the workpapers. Lorrie Hawkins can provide this. 3. Place a copy of the official's W-2 or Individual Earnings Record in the working papers. Redact PII. Determine if separate W-2 was issued for training benefit letter. 4. Reconcile taxable wages per W-2 or Individual Earnings Record to gross wages. 5. Compare computed gross wages to total of DLG's salary schedule and training benefit letter. 	G-04 G-05
<p>h) Determine if official pays employer's share of retirement from fee account. If so, collect data for retirement note presentation. Three years of data is necessary for this data is a note presentation. Prior year amounts can be obtained from prior year audit reports. This is only the employer's matching portion paid by the official's fee account.</p>	G-03e
<p>i) Perform tests of health insurance. The only time this would not apply is if insurance is not provided or the office is fee pooling.</p>	G-03d
<p>Health Insurance steps may not work well for counties that are self-insured. Modify as needed</p>	
<p>1. Determine if discrimination exists between the health insurance coverage provided to all persons employed by the Office of the Sheriff.</p>	G-03d
<p>2. From one health insurance invoice, select employees to trace health insurance withholdings to withholdings documented on payroll earnings register. This test is verifying that employees are not receiving health insurance benefits without paying their portion. If official is paying health insurance withholdings over to Fiscal Court, obtain a copy of the health insurance invoice from the County Treasurer or verify the the health insurance withholdings with the County Treasurer.</p>	G-03d
<p>3. Determine whether the Sheriff paid employer's share health insurance premiums for employees from fee account. If so, select at least two invoices and test for attributes listed below.</p> <ol style="list-style-type: none"> 1. Payment traced to cancelled check. 2. The expenditure is allowable, supported, and recorded accurately. 3. The expenditure was paid within 30 working days of the receipt. <p>If official is paying employer's share health insurance over to Fiscal Court, obtain a copy of the health insurance invoice from the County Treasurer or verify the the employer's share health insurance with the County Treasurer.</p>	G-03d
<p>j) If fiscal court prepares payroll, confirm with the County Treasurer that the Sheriff remitted payment for all payments made on his/her behalf. Please include narrative of the process and any relevant information. If payments are not being made, discuss with Manager how to proceed.</p>	G-06
<p>Expanded testing is required if G-03 testing at steps c failed & step f had a variance over trivial. Also completion should be considered if major issues were identified at step d on G-03.</p>	G-07
<p>1. Determine if payroll has been calculated accurately.</p>	G-07
<p>2. Determine if payroll deductions for retirement and FICA have been correctly computed.</p>	G-07
<p>3. Perform test of FSA/HRA if applicable.</p> <ul style="list-style-type: none"> - From one payroll select some employees and trace their withholding for FSA/HSA to a report obtained from the 3rd party administrator and verify that employee withholdings are accounted for correctly. - Trace official's contribution(s) to report obtained from 3rd party administrator and verify that it is accounted for properly. - Obtain a report from the 3rd party administrator that shows December 31 balance. - Document your understanding of the FSA/HSA, including what established it, purpose 	G-07

it serves, how it works - for the note disclosure.

4. Suggested Further Procedures to perform in response to risk assessment and/or exceptions noted:

- Verify that all employees selected on the test who are working 100 hours average per month are receiving retirement benefits.
- Examine employee authorizations for withholdings. Determine if withholding is pre-tax or after-tax. If pre-tax, this will be deducted from gross before face calculation. If there are withholdings not documented in the employee personnel file, confirm with employee.
- Determine if employer's share social security and retirement are paid timely.
- Review personnel files for ghost employees.

13. Grants: (A,B,C,D, E, F,G)

- a) Determine if the If applicable, determine if proper supporting documentation as Make copies of grant(s) agreements for audit documentation.
- b) Confirm the receipt of grant funds with the state and federal payments list or directly with grantor agency. Disbursements should be included in disbursements testing at step 10a. If applicable, determine if proper supporting documentation as required by the grant agreement was submitted for reimbursement grants.
- c) Prepare appropriate note disclosures for the audit report.

RECEIPTS AND DISBURSEMENTS - OTHER PROCEDURES (A,B,C,D, E, F,G)

If the aforementioned audit steps are inconclusive, the auditor should consult with the auditor in charge or audit manager about expanding the test of revenues and/or expenditures. If there is any doubt about validity of confirmations, please discuss alternative testing with your audit manager.

14. Proposed expanded audit procedures:

Proposed Audit Steps:

1. If significant unusual transactions have been identified, evaluate the business purpose of the significant unusual transactions and whether it suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets. Use you understanding understanding of the entity and its environment, as well as other information obtained during the audit. Such procedures should include the following:
 - a. Reading the underlying documentation and evaluating whether the terms and other information about the transaction are consistent with explanations from inquiries and other audit evidence about the business purpose (or lack thereof) of the transaction.
 - b. Determining whether the transaction has been authorized and approved in accordance with the entity's established policies and procedures.
 - c. Evaluating whether significant unusual transactions that the auditor has identified have been properly accounted for and disclosed in the financial statements.

- 2.
- 3.

15. Illegal Acts and Fraud

a. Were any exceptions/misstatements noted in testing indicative of fraud? Answer in drop down box below and document on Z-20.

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

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

16. AUDIT EVIDENCE:

Document any instances noted where audit evidence obtained was not determined to be relevant and reliable, contradicted financial statement assertions, or was not sufficiently precise and detailed for audit purposes, or was not accurate and complete. Document further audit procedures used to respond to the risk of material misstatement at the assertion level below.

CONCLUSION

We have performed procedures sufficient to achieve audit objectives and audit procedures of

Initial/Date	Reference
	Add Ref
	F-20 F-05 E-05 Z-12
	Add ref
	Add ref
	Z-20
	N/A OR ADD REF

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

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

Initial/Date	Reference
	E-50, F-50 G-50, 'H-50

COMPLIANCE:

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

1. Complete compliance checklist. Cross-reference noncompliance to supporting audit documentation. Verify correct KRS/KAR is being cited. Retain copy of KRS/KAR cited in binder.
Delete KRS folder from binder **except for noncompliances.**
2. Obtain a copy of the annual asset forfeiture report as of June 30, 20__ filed with the APA and Secretary of Justice and Public Safety.
Note: A copy of Asset Forfeiture Reports filed with the APA can be found at H:\Asset Forfeiture Reports
3. Perform Test of Forfeiture Compliance. Obtain and include copies of court orders or other documentation for deposits and determine amounts were remitted in accordance with court orders.
4. a) Determine if the Fiscal Court approved fee official's budget and if the budget passed is line item budget. (Note: To qualify as line item budget Fiscal Court must specifically fix line items in Fiscal Court minutes. Including a copy of the form provided by DLG by itself does not qualify as a line item budget.)
b) Determine if the Official obtained any budget amendments prior to December 31.
c) Determine if the official expenses were within budgeted amounts. **Official expenses are expenses which are not mandated by KRS, ordinance, or court order.**
(Note: If not line item budget, we are determining if overall budget was sufficient.)
Budget to actual comparison can be performed on the 4th Quarter Report or on Z-04c but should compare budget to financial statement expenditures after all adjustments have been made and should include payroll.
d) If official expenses are not within budgeted amounts:
 1. Overall budget over budget or line item budget over budget: Minimum exit conference comment and contact manager to determine if audit comment necessary.
 2. Overall budget under budget but line items in overall budget over budget: Verbal or exit conference recommending official monitor budget and obtain budget amendments in the future if necessary.

	M-01
	M-02
	M-03
	Z-04c
	A-23
	Z-22
	Z-23
	Z-20
	B-07

CONSULTATION:

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

Protected Health Information (PHI) and Personally Identifiable Information (PII):

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

COMPLETION:

1. Determine whether the assessments of the risk of material misstatement at the relevant assertion level remained appropriate.
Update **A-23** as needed.
2. Complete the **Qualifications Checklist**. If you have findings concerning the qualifications of personnel, make sure to thoroughly document the reasons for the finding, and **contact your audit manager**.
3. Complete the **Examples of Internal Control Deficiencies** to determine whether or not any issues were identified during the audit.
4. For internal control and compliance findings, use the **Evaluation and Communication of Internal Control Deficiencies and Noncompliance's** to document your evaluation of the severity of the findings.
Note: Document justification for finding- See new column on worksheet.
5. **Deficit**. Ascertain whether any deficit reported in the current audit has been paid in whole or in part. The auditor must verify by reference to bank records that deficits have been reduced and from appropriate source.

	Initial/Date	Reference
<p>6. Prior Year Comments. Follow up and comment on prior year audit finding - (unpaid excess fees, etc.). GAO additional fieldwork standard requires auditors to follow up on known material findings and recommendations from previous audits.</p>		Z-02
<p>7a. Audit Opinion Memorandum Include a memorandum explaining and justifying the audit opinion of the report. This memo should at least include:</p> <ol style="list-style-type: none"> a) An explanation of the scope of the audit. b) The audit was conducted in accordance with <u>Governmental Auditing Standards</u>. c) Disclose the type of opinion being issued and explain why. See guidance on Z-05 d) Document any differences of opinion between staff as it relates to the audit opinion of the report. e) Consider whether audit procedures performed to achieve other audit objectives or other general procedures have identified conditions and events that, when considered in the aggregate, indicate there could be a substantial doubt about the governmental unit's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statement being audited. If there is a going concern issue, amend the management representation letter and add an <u>emphasis of matter</u> paragraph must be added to the Independent Auditor's Report. See examples at Z-12c <ol style="list-style-type: none"> 1. Analytical Procedures 2. Review of subsequent events 3. Compliance with terms of loan agreements 4. Review of fiscal court orders 5. Legal representation letter 6. Auditor's judgment 		Z-05
<p>f) Consider and document whether audit evidence obtained was determined to be relevant and reliable: corroborates or contradicts financial statement assertions, was sufficiently precise and detailed for audit purposes, and was accurate and complete.</p>		Z-05
<p>7b. <i>Contact your audit manger, quality assurance, and the ASA for any opinion modifications in order to determine that all reporting and documentation requirements have been met. Send report to QC for possible wording changes. Complete workpaper Z-05b.</i></p> <p><i>This workpaper can also be used to document Emphasis of Matter Paragraphs and Other Matter Paragraphs</i></p>		Z-05b
<p>8. Report. Prepare draft report and reference all comments*, amounts, notes, internal control and compliance letters, to supporting documentation. Ascertain that excess fees reported in current audit have been paid.</p> <p>**Note: The audit report, representation letter, and exit conference should all be dated the end of fieldwork date. Discuss major findings with audit manager to determine if a referral to another agency is needed. (AG office, etc.)</p> <ol style="list-style-type: none"> a) Include necessary Financial Statement Note Disclosures. Delete fee-pooling note disclosure if not applicable. b) Choose appropriate Internal Control and Compliance letter, based upon audit report comments. c) Include former in the appropriate places and address letters to both former Sheriff and current Sheriff i Sheriff if this is an audit of a former official. <p><i>AU-C 700 includes the following language: "The auditor's report should not be dated earlier than the date the auditor has obtained sufficient appropriate audit evidence to support the opinion. Among other things, sufficient appropriate audit evidence includes evidence that the audit documentation has been reviewed and that the entity's financial statements, including disclosures, have been prepared and that management has asserted that is has taken responsibility for them." See additional notes under AIC level 1 review at step 11.</i></p>		Z-12 A-18 A-28a Z-12
<p>9. Report Comparison. Compare draft audit statement with previous audit for significant differences. Document and explain why any significant differences exist, if any. The overall review would generally include reading the financial statements and notes and considering (a) the adequacy of evidence gathered in response to unusual or unexpected balances identified in planning the audit or in the course of the audit and (b) unusual or unexpected balances or relationships that were not previously identified. Results of an overall review may indicate that additional evidence may be needed.</p> <p><i>Analytical review is located at B-00.</i></p> <p>NOTE: Guidance for full-year to part-year comparison options is included on Z-04</p>		Z-04 See B-00 Z-04
<p>10. Field Auditor Level I Review: Complete the self-review checklist and correct all issues noted. Field Auditor should review audit documentation and audit report to ensure they are in accordance with APA standards. If audit is for an over 70 county, make sure to complete Level I Review addendum. This review should be completed prior to sending the audit to the level 1 reviewer.</p>		Z-15
<p>11. Auditor In Charge (AIC) Level I Review: (K) Auditor in charge should review audit documentation and audit report to ensure they are in accordance with APA standards. Complete the initial Level I review checklist. If audit is for an over 70 county, make sure to complete Level I Review addendum.</p> <p>Note: A significant portion of level I reviews including the AIC's level I review must be completed before the exit conference can be conducted. If there are major significant audit comments in the report a review in Frankfort might need to be completed before the exit conference can be conducted.</p> <p>Contact your AIC/Audit Manager with questions or concerns.</p> <p>If there are major problems that need to be addressed based upon this review AIC should return to field auditor for additional should clear review comments. After changes are made or additional work completed by field auditor AIC should complete review.</p>		Z-15a

Initial/Date	Reference
12. Legal Representation Letter: (M)	
<p>Determine that the County Attorney representation letter has been obtained. If there is litigation that is being handled by the official's insurance carrier or other legal representation, obtain a separate representation letter for issues being litigated. Prepare County Attorney Representation Letter Conclusion. If you cannot obtain a legal representation letter, it is office policy to qualify the opinion on the financial statement.</p> <p><i>Legal representation letter should be obtained prior to the exit conference and be concluded on prior to the end of field work.</i></p>	
13. Subsequent Events	
<p>a) Scan quarterly financial reports prepared by official for each quarter since the end of the calendar year for unusual items. Investigate all unusual circumstances.</p> <p>b) Inquire of the fee official as to the occurrence of significant events occurring subsequent to calendar year-end that need to be disclosed in financial statements. Document in exit conference.</p> <p>c) Inquire of the County Attorney if anything has changed since he/she signed the representation letter. Obtain additional documentation if necessary.</p>	<p>Z-01</p> <p>Z-01, Z-13</p> <p>Z-10</p>
<p>An update is required if the date of the letter is more than 30 days prior to the date of the exit.</p>	
<p>d) Determine if sheriff's current receipts ledgers and deposits are being completed timely. Delays in recording or depositing receipts could indicate problems.</p> <p>This workpaper should be completed on day of exit and after county attorney letter update have been completed to ensure no items have been overlooked.</p>	Z-01
14. Going Concern Issues	
<p>Consider whether audit procedures performed to achieve other audit objectives or other general procedures have identified conditions and events that, when considered in the aggregate, indicate there could be a substantial doubt about the governmental unit's ability to continue as a going concern for a reasonable period of time, not to exceed one year beyond the date of the financial statement being audited.</p>	Z-01
<p>a) If you identify any conditions or events that cause you to believe there is a substantial doubt about the governmental unit's ability to continue as a going concern, complete the "Governmental Going Concern Checklist and apply any necessary audit procedures to obtain evidential matter about identified conditions and events, management plans for dealing with the adverse effects of the conditions and events, or prospective information particularly significant to management's plans.</p>	Z-03
<p>If there is a going concern issue the management representation letter must be amended and an emphasis of matter paragraph must be added to the Independent Auditor's Report. AU-C 570.</p>	See Z-12c
<p>1. If, after considering identified conditions or events and management's plans, the auditor concludes that substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time remains, a separate section in the auditor's report with the heading "Substantial Doubt About the Entity's Ability to Continue as a Going Concern" should be included that does the following:</p>	
<p>a. Draws attention to the note in the financial statements that discloses: 1) the conditions or events identified and management's plans that deal with these conditions or events, and 2) that these conditions or events indicate that substantial doubt exists about the entity's ability to continue as a going concern for a reasonable period of time; and</p>	Z-12
<p>b. States that the auditor's opinion is not modified with respect to the matter.</p>	Z-12 Z-12
15. Materiality Considerations	
<p>Based on audit results and any audit adjustments determine if materiality calculated during planning needs to be adjusted in order to determine whether uncorrected misstatements are material to the financial statements as a whole.</p>	
<p>As the audit progresses, the auditor should consider whether materiality used for planning purposes needs to be reassessed because of significant changes in the quantitative or qualitative factors originally considered in the determination of materiality.</p>	
<p>Complete Z-08 to document this consideration.</p>	Z-08 A-16a
<p>Note: If materiality recalculation finds a materiality level lower than the planning materiality level, review the F/S for any missed material accounts and perform necessary work to ensure all material accounts were tested appropriately.</p>	
16. Summary of Financial Statement Misstatements	
<p>Prepare a schedule summarizing all projected error results from sampling applications (tests of tangible personal property (also known as motax and ad valorem) and delinquent taxes) and all uncorrected known errors from nonsampling applications. (Other testing). For example, if usage tax is overstated by \$300 and license tax is understated by \$300 the summarized total is \$0.</p>	Z-06
<p>* Document the nature and effect of aggregated misstatements, and conclude as to whether the aggregated misstatements cause the financial statements to be materially misstated.</p>	
<p>* Were misstatements indicative of Fraud <u>Yes or No</u></p>	
<p>Were misstatements indicative of Collusion? <u>Yes or No</u></p>	Z-06/A-23
<p>* If the answer to either question is yes, re-evaluate risks at A-23. Determine if procedures were adequate to respond to additional risks and evaluate reliability of previous evidence examined or tested.</p>	
17. Audit Adjustments	
<p>Summarize and evaluate misstatements noted during the audit. Post audit adjustments to Z-06. Explain adjustments to Sheriff. The Sheriff signature indicating approval of adjustments to his/her financial statement is required.</p>	Z-06
<p>Otherwise, adjustments cannot be made.</p>	
18. Review and update Consideration of Independence Issues	
<p>a. Auditor should also review Nonaudit Services Planning Document and update</p>	
	A-29

	Initial/Date	Reference
<p>for any additional nonaudit services (ex. Schedule of Liabilities over Assets). Provide management with an updated completed copy of the document.</p>		
<p>19. Exit Conference</p> <p>Prior to Level I Review:</p> <p>a) Compile all Finding Forms from various audit sections into an "Exit Conference Document." Ensure all findings include all six elements required by Government Auditing Standards. (See guidance at A-50). Findings should still be numbered 20XX-001, etc. Draft Exit should be reviewed prior to exiting with official.</p> <p>b) For noncompliance items, include a copy of the KRS, KAR, federal law, local ordinance, etc. in the M "Compliance" folder in the binder and cross-reference to the Finding Form.</p> <p>After Level I Review:</p> <p>c) Schedule exit conference meeting after the Level I reviewer has signed off on the binder, and if applicable, cleared review comments. <i>Level I reviewer should notify the field auditor when the audit is returned, if review comments need to be cleared before the exit conference.</i></p> <p>d) Provide official with a copy of the draft financial statements and notes. By signing the exit conference document, the official is acknowledging the financial statement presentation and note disclosures so there is no need to get signatures on the other attachments. Be sure all pages of the financial statement and notes are marked "DRAFT".</p> <p>e) Have all attendees sign the signature page of your copy of the exit conference document. Make sure the official has a copy of the signed page as well. Remind them that the corrective action plans will be printed verbatim in the audit report. Make sure the exit conference document has specific date for corrective action plans to be returned. Explain if they fail to return them timely, the audit report will read "The official did not provide a response."</p> <p>f) Give the official Corrective Action Plan Guidance <Z-13a> with the template for which they may use to record their responses. This form can be emailed to the official if he/she wants to type the corrective action plans. You do not need to prepare a CAF for each finding.</p> <p>g) Scan in signed exit, draft financial statements, draft note disclosures, and completed corrective action plan forms.</p> <p>h) Evaluate management's responses. If the auditee did not agree with the finding, draft an auditor reply and notify AM.</p> <p>All disallowed expenses should be in an exit comment and include with the County Judge Executive's exit.</p> <p>** <i>APA Policy is to conduct a Level I Review prior to the exit conference - APA fieldwork date has primarily been the day of the exit conference (field auditor's last day on audit site). Our report date should coincide with the last day on site and the day the official signs the representation letter at the conclusion of the audit. If there are questions regarding your report date, contact your audit manager for guidance.</i></p>		<p>Z-13</p> <p>Z-13a</p> <p>Z-13b</p> <p>Z-12 / Z-20</p> <p>Z-07</p>
<p>20. Official's Representation Letter</p> <p>Secure a representation letter from the Sheriff. Please read guidance on required representations and add any additional representations necessary for the audit. This letter must be signed by the Sheriff or modified opinion will be issued.</p> <p>NOTE: If the official refuses to sign a representation letter, the APA may withdraw from the engagement. Contact your manager as soon as you find out the official will not sign a representation letter. The AM will coordinate with the Executive Director and ASA about the official's refusal to sign the representation letter. This will apply if there are concerns with the competence, integrity, ethical values, or diligence of management and the possible effect on the audit report.</p>		Z-09
<p>21. Resource Materials And Other Information</p> <p>Review audit documentation and delete all resource materials and other information such as manuals, copies of statutes except for noncompliances, and copies of APA policies. Deleting unnecessary information will help keep finalized binders smaller and save storage space.</p>		
<p>22 Recommendations to Future Auditor</p> <p>File all recommendations from each audit section for the next year's auditor. Also file additional recommendations for overall planning and completion as well as significant decisions reached during the audit.</p>		Z-19
<p>23. Completion Checklist - Field Auditor</p> <p>After exit conference, complete Completion Checklist to determine all steps are completed.</p>		Z-15b
<p>24. Auditor In Charge (AIC) Level I Review-Completion</p> <p>Return to level 1 for final sign offs and clearance of all significant review notes prior to submission for level II review.</p>		Z-15a
<p>25. Feedback</p> <p>Assess the adequacy of audit procedures and audit programs - Notify Quality Assurance at APA.QualityAssurance@ky.gov if you note any issues or concerns with audit programs or procedures. Please send an email as soon as you notice an issue so it gets added to the Audit Program Committee's to-do list.</p>		

	Initial/Date	Reference
<p>26. Documentation of Differences of Opinion</p> <p>Determine if there were any differences of professional opinion among members of the engagement team or between the engagement team and a specialist. If so, determine that the differences were properly resolved and documented in the workpapers and that the documentation addresses the considerations involved in the resolution. Consultations with audit manager, division director, or ASA and resolutions should be documented in the workpapers.</p>		<p>Add Ref or NA</p>
<p>27. Workstatement, Time Budget, Time Run:</p> <p>Complete workstatement and time budget. Contact APA and request a Time Run for the official you are auditing. This should be the time code you charge the audit work to on your timesheets. Reconcile the Time Run to the workstatement. Any errors should be corrected. If there are errors on timesheets, re-submit the corrected timesheet and contact your audit manager to approve the timesheet(s). File the Time Run and any reconciliation in the audit documentation. DO NOT include copies of timesheets or travel vouchers.</p> <p>NOTE: This Time Run will only include the most recent posting of timesheets therefore total on workstatements vs. Time Run will most likely not match. Final reconciliation will be completed in Frankfort.</p>		<p>Z-17 Z-17a Z-17b</p> <p>Z-18 Z-18a</p>
<p>28. Budget Amendment(s)</p> <p>Explain why audit cost increased from the prior year and attach to the time budget. These explanations will be submitted to the fiscal court and written in the audit bill from Frankfort for all audit cost increases of 10% or more.</p>		<p>Z-17b,c</p>
<p>29. Audit Completion Form</p> <p>Complete the Audit Completion Form and email it to Lorrie Hawkins. Verify email from exit conference!</p>		<p>Z-25</p>
<p>30. Upload Audit to Central File Room</p> <p>Through VPN-synchronize the audit binder and check in all workpapers to central file room.</p>		
<p>CONCLUSION</p> <p>We have performed procedures sufficient to achieve the general program audit objectives, and the results of these procedures are adequately documented in the accompanying workpapers. (If you are unable to conclude on any objective, prepare a memo documenting your reason.)</p>	<p>Sign off Required</p>	