

**ENTITY** 2019 Audit Programs

June 30, 2019

**INVESTMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<b>Audit Objectives and Related Assertions:</b>					
<p><b>A. 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 Entity's investments. (1,2,3)</b></p> <p><b>B. Investment values, income, gains or losses are stated correctly and allocated properly to funds. (4,7,9)</b></p> <p><b>C. Investments are properly described and classified in the financial statements and related disclosures, including restrictions and commitments, are adequate. (10,11,12,13)</b></p> <p><b>D. Investments are types authorized by law and the investment policy of the Entity.</b></p>					
<b>Audit Procedures:</b>					
<p>A. Obtain or prepare a schedule of all investment transactions for the year, including investments owned as of year-end. For U.S. Government securities, the schedule should list the par value of the security in addition to its cost.</p>					
1. Test mathematical accuracy and trace balances to the year-end bank reconciliation/books and trial balance/general ledger.	A,B				
2. Determine all investments were recorded.	A				
3. On a test basis, trace collections from sale of investments to cash receipts journal or to rollover investment.	A				
4. Examine investments on hand and trace to schedule or investment record.	A,B				
5. If the Entity has investments in government securities, sight actual investment certificate if held by the Entity, or confirm ownership with outside safekeeping agent.	A				
6. For investments held by the Entity at the end of the year not able to be inspected because they were sold prior to our audit, vouch sale of securities to supporting documents and trace proceeds to bank deposit. Examination of safekeeping receipts is not sufficient.	A				
B. Confirm investments at the end of the year.	A,B				

**ENTITY** 2019 Audit Programs

June 30, 2019

**INVESTMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>C. Determine if a fiduciary relationship exists between the Entity and the deferred compensation plan. (A fiduciary relationship exists if there is a formal trust agreement between the Entity and the Section 457 plan, the Entity offers investment advice or the Entity is involved in the administration of the plan.)</p> <ol style="list-style-type: none"> <li>1. If a fiduciary relationship exists, the deferred compensation plan assets should be recorded as a Pension Trust Fund, in accordance with GASB 32.</li> <li>2. Confirm material deferred compensation plan assets at the end of the year.</li> <li>3. If no fiduciary relationship exists, the plan assets should not be displayed on the face of the financial statements, and disclosure is not required.</li> </ol>	A,B				
<p>D. Related Income</p> <ol style="list-style-type: none"> <li>1. Recalculate interest on a test basis.</li> <li>2. Determine all investment income was received and recorded to the proper fund/account.</li> <li>3. Compute accrued interest receivable at June 30, if significant.</li> <li>4. Determine all June 30 unrecorded interest has been recorded to the credit of the appropriate fund.</li> <li>5. Determine if interest earned on pooled accounts is fairly and properly allocated to those funds and accounts from which the interest arose.</li> </ol>	B				
<p>E. Determine the propriety of any investments pledged as debt collateral or otherwise restricted.</p>	C				
<p>F. Determine investments are reported at fair value in accordance with GASB 72. The change in fair value is recorded as net increase (decrease) in the fair value of investments. Prepare a workpaper documenting fair value of investments on hand at June 30 for footnote disclosure.  <b>Note:</b> For <b>Cash basis entities</b>, all investments are recorded at cost or if acquired by gift, at fair value as of the date of the gift.</p> <ol style="list-style-type: none"> <li>1. When an active market does not exist for investments, determine the method of estimating fair value and evaluate the propriety of fair value measurements in accordance with AU-C 540 (Characteristics of an inactive market include few transactions, prices are not current, price quotations vary substantially or little information is released publicly).</li> </ol>	B				

**ENTITY** 2019 Audit Programs

June 30, 2019

**INVESTMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<p>2. Determine the proper application of the fair value hierarchy input level for each investment in accordance with GASB 72 as follows:</p> <p style="margin-left: 20px;">a. Level 1 inputs – quoted prices in active markets for identical assets.</p> <p style="margin-left: 20px;">b. Level 2 inputs – significant other observable inputs such as quoted prices for similar assets in active markets, quoted prices for identical assets in markets that are not active or other than quoted prices that are observable such as prices using a matrix pricing model.</p> <p style="margin-left: 20px;">c. Level 3 inputs – significant unobservable inputs using the best information available.</p> <p>G. If the Entity uses pricing services or brokers to obtain fair value measurements, determine the Entity has determined those prices have been developed in accordance with GASB 72.</p> <p>H. Determine land or other real estate held as investments by endowments are reported at fair value in accordance with GASB 72 and include the disclosure provisions of GASB 31, as amended by GASB 81.</p> <p>I. Document investment information for footnote disclosure in accordance with GASB 40 as follows:</p> <p style="margin-left: 20px;">1. Investments on hand at June 30 should be listed by type and include maturities.</p> <p style="margin-left: 20px;">2. Include the appropriate disclosures for the applicable risks:</p> <p style="margin-left: 40px;">a. Credit risk.</p> <p style="margin-left: 40px;">b. Custodial credit risk.</p> <p style="margin-left: 40px;">c. Concentration of credit risk.</p> <p style="margin-left: 40px;">d. Interest rate risk.</p> <p style="margin-left: 40px;">e. Foreign currency risk.</p> <p>J. If the Entity has stock:</p> <p style="margin-left: 20px;">1. The par value of the stock and whether it is common or preferred stock should be listed on the schedule of investment transactions.</p> <p style="margin-left: 20px;">2. Determine whether the Entity purchased or was given the stock.</p> <p style="margin-left: 20px;">3. If the stock was acquired through gift, determine the terms and conditions of the gift.</p>					
	B,C				
	C				
	A,B				

**ENTITY** 2019 Audit Programs

June 30, 2019

**INVESTMENTS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
4. Include pertinent documentation in the permanent file.					
K. In the extremely rare instance the Entity may have investments in derivatives, determine appropriate reporting and disclosures are made in accordance with GASB 72 and GASB 53, as amended by GASB 64. If the Entity has derivatives, it is likely a questionable investment, and accordingly, a statutory comment will be required.					
L. If the Entity has transferred financial assets or entered into a servicing contract for assets or liabilities, determine the appropriate disclosures and assets or liabilities are recorded in accordance with GASB 48.	C				
M. If the Entity participates in security lending transactions, determine the transactions are properly reported and the appropriate disclosures are made in accordance with GASB 28.	C				
N. If the Entity is a <b>Hospital</b> and pools investments for two or more funds, determine the Hospital uses the market-value method to provide an equitable distribution of investment income.					
O. If the Entity is a <b>Hospital</b> , review the provisions of donor-restricted gifts to determine if the Hospital's investment policy complies with applicable restrictions.					
P. If the Entity is a <b>Hospital</b> , determine the Hospital's accounting procedures pertaining to investments: <ol style="list-style-type: none"> <li>1. Adequately distinguish between restricted and unrestricted resources.</li> <li>2. Amortize premium and discount in accordance with GAAP.</li> <li>3. Distinguish between marketable and non-marketable securities.</li> </ol>					
Q. If the Entity is a <b>Hospital</b> , determine unrealized losses on investments have been properly recognized in the accounts.	B				
R. Determine if the risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
S. Determine whether investments are properly classified and related disclosures are adequate.	C				

