

Ranch Cabin Association of Unit Owners

Financial Assurance Committee

Potential Tests of Procedures

Cash & Accounts Receivable

- 1) Policy: Bank accounts are reconciled monthly and reviewed by Treasurer

Test: Select three months during the test period. Review the bank reconciliation and related bank statement. Report on reconciling differences of note. Observe evidence of review and approval by treasurer.

- 2) Policy: A hard copy of all deposit slips is kept on file for future reference.

Test: Select three bank deposits for the year. Ask the bookkeeper to produce copies of the associated deposit slips and support documentation.

- 3) Policy: Late fees are charged, owner statements generated and sent for all past due owner assessments.

Test: Select 3 months during the test year and review the owner aging reports. Select two overdue aging balances. Determine if an appropriate late fee has been assessed and obtain evidence that owner statements were generated and sent to the homeowner.

- 4) Policy: Accounts receivables are posted timely to owner accounts.

Test: Send letter authored by AUO Board President to all members, requesting a reply directed to auditor. The letter will inquire about difficulties experienced in the past three years regarding timely posting of owner assessments or related late fees. Report on any owner concerns.

Accounts Payable & Disbursements

- 5) Policy: Checks/Disbursements are written or executed only by treasurer or president.

Test: Select the 3 largest expenditures during the year, plus three additional random transactions and review the check copy or EFT support showing the initiator of the transaction.

- 6) Policy: All disbursements shall be approved by the treasurer or the president.

Test: Review the above selected transactions for evidence of officer approval, even if the officer did not initiate the transaction.

- 7) Policy: Large expenditures should be responsibly sourced and supported by obtaining competitive bids on a regular basis.

Test: For the following expenditure areas, obtain copies of the most recent competitive proposals. Obtain written narrative from the manager that offers explanations for decisions to not pursue current proposals or to purchase from a more expensive vendor:

- a) Landscaping
- b) Painting
- c) Pool Maintenance
- d) One additional area of large expenditure selected by auditor

8) Policy: Treasurer maintains a dated record of checks signed.

Test: Obtain the dated record and tie the balances for three month-ends to the bank statement for any discrepancies other than reasonable outstanding reconciling items.

9) Policy: Form 1099's should be issued for non-employee vendors.

Test: Review Quickbooks lists of expenditures by vendor sorted from high to low, and compare to Quickbooks print file of 1099's. Identify any vendors that do not appear on the 1099 list that appear to qualify and investigate them.

Custody/Stewardship of Assets

10) Policy: Check stock is maintained in secure storage with the bookkeeper.

Test: Review check storage procedures, discuss the whereabouts of blank checks if they are in alternative locations and report on findings.

11) Policy: Debit cards and account passwords are secured, bank accounts and Quickbooks carry redundancy provisions for succession or emergency access.

Test: Determine through bank and officer inquiry how many authorized users are active on the system and inquire about account security performed by each cardholder and whether access has been successfully tested in the past 12 months.

Reserve Accounting

12) Policy: Reserves are designed to replace major infrastructure items through the collection of dedicated funds over time.

Test: Review reserve accounting schedules at December 31, 2019. Test footing and time value of money and stated depreciation assumptions for clerical accuracy.

Reporting and Authority

1 13) Policy: General Ledger is reconciled to subsidiary sources

2 Test: For September and one other month, test the following:

- 3 a) Trace the cash balance of the balance sheet to bank statement/cash reconciliation
4 b) Tie the GL AR balance to the detailed Accounts Receivable Aging
5 c) Tie the AP balance on the A/P Report to the balance sheet
6 d) Confirm that traditional balance sheet and income elements balance and tie to each other
7

8 14) Policy: Bookkeeper provides a report that identifies significant YTD variances from budget.

9 Test: For 3 months during the test year, review bookkeeper budget variance analyses. Report
10 on completeness and adequacy of the explanations. Seek out evidence of board review and
11 approval of the variance report.

12 15) Policy: Annual Corporation license (name?), federal tax form 1120-H and state tax form 20
13 should be filed timely.

14 Test: Review copies of specified filings and check registers for evidence of timely filing and
15 payment.