



Common Deficiencies Noted During CPA Workpaper Reviews

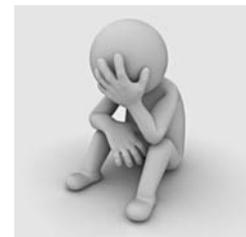


Office of the Utah State Auditor
2016 CPA Training



Common Deficiencies

- No Follow-up on Risks Identified
- Inadequate Understanding/Documentation of Controls
 - No consideration of Separation of Duties
- Threats/Safeguards for auditor independence not documented when preparing the F/S



Common Deficiencies (con't)

- Failure to consider/address direct and material compliance requirements related to the F/S
- Inadequate documentation of inquiries with management
- Reported findings did not contain all required elements

Common Deficiencies (con't)

- GASB 68 – URS not documented as a service organization and consideration of the client controls related to URS transactions not reviewed
- Analytical procedures – Evidence for explanations of changes between years inquiry only (no observation)



No Follow-up on Risks Identified

Auditor Identified potential risks during planning

- Complex transactions
- New staff or staff lack experience
- New accounting system
- Limited staff
- Budget overages
- Fraud



No Follow-up on Risks Identified (con't)

Summarization & Disposition of Risks

- Where the risks identified in planning Risks of Material Misstatement (RMMs)?
- If RMMs, were they considered when designing audit procedures?

Inadequate Understanding & Documentation of Controls



- Identify significant transaction classes first, then document controls over these transactions.
- Document an understanding of controls, NOT processes
- More than just inquiry!
- This includes consideration of separation of duties.

Auditor Independence when Preparing the F/S

- Inadequate documentation of the knowledge, skills, and experience of the person taking responsibility for F/S.
- No documentation of review and approval of management for journal entries booked by auditor.



Inadequate Documentation of Inquires with Management

- **Example Audit Step:** Inquire of management about....
- **Example response/documentation:** GHM 9/15/15
- **Discussed with whom? What was the response?**
 - None? None material? Yes, and they are disclosed?
Etc.

Should be able to reperform

URS as a Service Org

- Pension Liability/Asset and Deferred inflows/outflows recorded by entity are determined by URS.
- Use of a Service Org Procedures:
 - Reviewing URS's SOC 1 report
 - Evaluating the service auditor's competence and independence
 - Gaining an understanding if the 'complementary user controls' identified in the SOC 1 report have been designed and implemented by the local government entity (perform a walk-thru).
- PPC form AP-1A



Questions?



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