

Internal Control Testing - Sample Documentation

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| Entity Name: | GT Limited | | |
| Preparer: | S. Stop | | |
| Reviewer: | A. Bcos | | |
| Review Period: | 1 January 2016 to 31 December 2016 | | |
| Subject: | Test of Internal Control - Assertion Level | | |

| Financial Statement Line Item(s)/General Ledger Account Number(s) | Processes/Sub-Process(es) | Financial Statement Assertion | Key Risk of Material Misstatement (ROMM) | Control Activity Description | Designed Effectively (Yes/No) | Key Control (Yes/No) | Type of Control Activity | | Test Description/Procedures | Test Results | Deficiency Type (Design or Operating) | Deficiency Classification |
|---|---|-------------------------------|--|--|-------------------------------|----------------------|--------------------------|---|--|---|---------------------------------------|---------------------------|
| | | | | | | | Preventive or Detective | Manual, Automated or Manual-Dependent on System Generated Information | | | | |
| Program Cost (Statement of Profit or Loss) Accounts Payable (Balance Sheet) Account 2200.10 | Procure-to-Pay/Accounts Payable Accrual | Completeness; Valuation | Goods or services may have been received, but the Delivered Orders/Accounts Payable has not been recorded and Undelivered Order amount not reduced (Wave 2 ROMM #22) Recorded liabilities do not exist as of a given date or do not pertain to the entity (Wave 4 ROMM #10) | Monthly, the Reporting Entity Accountant prepares a listing of the goods/services received (documented on Form 123), for which no invoice was received as of the end of the reporting period. The listing contains the following information: type of good/service received, date received, quantity received, and estimated cost. Based on this information, the Accountant determines the accrual amount and prepares a journal voucher form to document the total potential A/P accrual amount. He provides the JV form with the accrual estimate, along with the supporting documentation (i.e. detailed listing of goods/services received) to the Supervisory Accountant for review. The Supervisory Accountant reviews the journal voucher form and supporting documentation and either approves or rejects the accrual for entry into the accounting system. He evidences his approval by signing and dating the journal voucher form for recording the AP Accrual journal entry. The Accountant records the A/P accrual entry in the financial system within 5 business days of approval by the Supervisory Accountant. | Yes | Yes | Preventive | Manual- Dependent on System Generated Information | Select a random sample of 45 disbursements made in October 2012 (month following control execution). For each sample item: 1) Obtain and examine supporting detail for the disbursement (invoice, receiving report, original obligating document) to validate whether the actual disbursement amount agrees to or is within a reasonable variance of the A/P accrual estimate. 2) Determine whether the goods or services on the paid invoices were received on or before year end. For goods received before year end, verify that liability was recorded as of 9/30. | Our test noted the following: 30 of the 45 disbursement transactions selected for transaction testing resulted from goods/services received before the end of the reporting period (prior to September 30). Of the 30 items we tested, we noted the following: 1. 10 of the disbursement transactions executed in the subsequent reporting period that should have had a corresponding A/P accrual entry recorded as of September 30, 2012 did not have an accrual recorded. The total amount of the error resulting from the 10 missing A/P entries was \$1.32 million. 2. Of the 20 remaining disbursement transactions for which there was an A/P recorded as of 9/30, there was a variance of greater than 20% between the actual disbursement amount and the accrual estimate recorded for 6 of the 20 transactions. The total error resulting from the inaccurate accrual estimate was \$2.43 million. | Operating | Significant Deficiency |

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| Property, Plant, and Equipment (PP&E) Account 1991.21, 1991.25 | Acquire to Retire/Equipment | Rights and Obligation | The Reporting Entity may not have rights to recorded assets because of liens, pledges, or other restrictions (Wave 3 ROMM #14) | On a recurring basis, when the Reporting Entity receives equipment, the Receiving Officer inspects the goods for acceptance by agreeing the information (amount, quantity, type) on the packing slip to the original obligating document (purchase order, contract, etc.) and assigns a serial number to the item. He then prepares the DD-250 , Material Inspection and Receiving Report, which describes the item, and contains the bar tag code. He signs and dates the DD-250 and sends it to the Logistics Management Officer for review and entry into the APSR. The Logistics Management Officer reviews the DD-250 for accuracy and signs/dates the form to evidence his review. He then enters the form into the property management system to record the physical characteristics of the equipment and establish accountability for the asset on the | Yes | Yes | Preventive | Manual- Dependent on System Generated Information | Select a random sample of 45 equipment additions from 10/1/2011 to 9/30/2012 to: 1. Ensure a valid, signed DD-250 exists for each addition. 2. Information on DD-250 agrees to information on original packing slip and obligating document 3. DD-250 was reviewed and approved by the Logistics Management Officer (as evidenced by signature and date) prior to asset entry into the APSR | Control is operating effectively. We noted no exceptions during our test work. | N/A | N/A |
| Appropriations (SBR) Fund Balance with Treasury (Balance Sheet) Account 1010.10 | Budget to Report | Existence | Recorded budget authority does not exist (e.g., not authorized by Public Law) (Wave 1 ROMM #1) | The Senior Budget Analyst reconciles the apportionment amounts recorded in the financial system by the Budget Analyst to the total appropriated amount (per Public Law) to ensure total apportionments do not exceed total appropriations. Note: The control is not designed effectively. While, the Senior Budget Analyst performs a reconciliation to ensure that total apportionments do not exceed total appropriations, documentary evidence to support performance of the control does not exist. The Senior Budget Analyst does not document the results of his review. | No | No | Detective | Manual | N/A- Control is not appropriately designed. There is no documentary evidence to support performance of the reconciliation. | N/A- Not efficient to test; no test performed | Design | Reportable Condition |

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| Other Current Liabilities (Balance Sheet) Account 2100.20 | Hire to Retire/ Civilian Pay/ Time and Attendance | Existence | Recorded time and attendance information is incorrect or invalid, or may not be supported by appropriate supporting documentation (Wave 2, ROMM #34 and 36) | CONTROL GAP- MISSING CONTROL. The Reporting Entity currently does not have a control activity in place to ensure that all time and attendance information is reviewed and approved by an authorized certifying official, in accordance with DoD policy. | N/A | N/A | N/A | N/A | N/A- no control to test. | N/A- No control to test | Design | Reportable Condition |