

## **DAVIS FARR LLP**

### **List of Agreed-Upon-Procedures over Internal Controls**

The following is an example of agreed-upon procedures we can be engaged to perform to provide the audit committee with additional information about the District's internal controls. Typically, clients choose to do one or two procedures each year on a rotating basis. This list is not all inclusive of the procedures we can perform. We would work with the audit committee to determine the scope of work, and specific procedures, and estimated time to complete those procedures.

1. Review of Investment Transactions – To determine that the investments made by staff are in compliance with the District's Investment Policy.
2. Review of Financial Institution Wire Transfers – To ensure that all transfers out of financial institutions as reported on bank or investment statements are properly authorized and accounted for.
3. Review of Journal Entries – To ensure that journal entries (including budget entries) are made with adequate support, proper approval, and are correctly recorded to the general ledger.

### **Cash Disbursements**

4. Review of Check Stock Sequence and Cancelled Checks – To verify the sequence of check stock, including unused checks, voided checks and cancelled checks to verify that all checks cleared through the District's financial institutions are presented to Board of Directors in the warrant registers and are properly accounted for within the accounting records of the District.
5. Review of Credit Card Transactions – To ensure amounts are properly supported, for valid District purposes, and made in accordance with the District's purchasing policies.
6. Data Analysis of Vendor Payments – We will obtain a detailed listing of disbursements to vendors and use our data mining software to evaluate the information for anomalies such as similar vendor names, vendors with the same address, vendors with addresses outside of CA or NV, payments to vendors that are right under purchasing thresholds. We will select a sample of vendors that meet these criteria, review invoice support, and review purchasing documentation to determine if the purchases were made in accordance with District's policies and were for valid District business.
7. Data Analysis for Related Party Transactions – We will obtain vendor addresses and names, employee addresses and names, and District Board of Directors addresses and names. We will cross check the names and addresses for similarities and research the purposes of the match, review invoice support, and determine if the purchases were made in accordance with District's policies and were for valid District business.
8. Review of Vendor Payments for Duplicate Amounts – To determine if vendors were paid more than once for the same invoice and to determine the charges did not cover the same period of service or goods through review of invoice support.
9. Review of Travel and Expense Reimbursements – To determine that reimbursements are calculated correctly, adequately supported, and made in accordance with the District's policies.

10. Review of Vendor Master File – To determine new vendors added during the year and determine the vendor was added in accordance with the District’s policies and does not appear to be fraudulent.
11. Benford’s Law Test – To evaluate cash disbursements for anomalies detected by data mining software and review for potential fraudulent transactions.

### **Cash Receipting and Cash**

12. Review of Utility Billings – To determine that the correct rates and usage are charged to customers.
13. Review of Rebates and Refunds – To determine that utility rebates, voids, and refunds were processed in accordance with the District’s policies and were not fraudulent.
14. Review of Cash Receipts – To ensure that the amounts collected from all locations accepting revenues are properly reflected on receipt documentation that agrees with the amount in the revenue tracking software (if applicable), to the general ledger, and the amount reflected on the bank statement. This can be done for one or many locations.
15. Surprise Petty Cash Counts – To ensure all petty cash throughout the District has been accounted for.
16. Review of Bank Reconciliations – To verify correctness of the reconciliations, verify reviews were performed, and determine the appropriateness and adequacy of support for any reconciling items.

### **Payroll Procedures**

17. Data Analysis of two Payroll Registers – To obtain statistical information about personnel paid during a pay period including number of employees, duplicate names, and employees without withholdings. The payroll register will be matched up with another payroll register during the year and differences in personnel will be evaluated by reviewing information with Human Resources to verify new/terminated employees.
18. Review of Payroll Timesheets – To verify timesheets are complete, agree to hours in payroll register, are signed by appropriate individuals, and follow the District’s policies. Procedures will also include reviewing personnel files to ensure the individuals are valid District employees.
19. Comparison of Payroll Register to CalPERS Census Data – To determine which employees are not receiving CalPERS benefits and investigation of potential ghost employees through review of Human Resources records.

### **Management Contracts**

20. Testing of management agreements to ensure amounts paid to operators/management companies is accurate and to determine if the operator/management company is in compliance with the agreement.