

COMMUNITY COLLEGE 2017 Audit Programs

June 30, 2017

INVESTMENTS

| PROCEDURE | OBJ. | DONE BY | W/P REF | N/A | REMARKS |
|---|-------------|--------------------|--------------------|------------|----------------|
| Audit Objectives and Related Assertions: | | | | | |
| 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 College's investments. (1,2,3) | | | | | |
| B. Investments are types authorized by law and the investment policy of the College. | | | | | |
| C. Investment values, income, gains or losses are stated correctly and allocated properly to funds. (4,7,9) | | | | | |
| D. Investments are properly described and classified in the Statement of Net Position and related disclosures including restrictions are adequate. (10,11,12,13). | | | | | |
| Audit Procedures: | | | | | |
| 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. | | | | | |
| 1. Test mathematical accuracy and trace end of the year balances to the general ledger. | A,C | | | | |
| 2. Determine all investments are recorded. | A | | | | |
| 3. On a test basis, trace collections from sale of investment to deposit. | | | | | |
| 4. Examine and list investment documents on hand and trace to schedule or investment records. | A,C | | | | |
| 5. If the College has investments in government securities, sight actual investment certificate if held by the College or confirm ownership with outside safekeeping agent. | | | | | |
| 6. For investments held by the College at the end of the year not able to be inspected because they were sold prior to our audit, vouch sale to supporting documents and trace proceeds to bank deposit. Examination of safekeeping receipts is not sufficient. | A | | | | |
| 7. Determine if the College has adopted a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa. | | | | | |

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| 8. Determine if changes to the investment policy comply with the provisions of Chapter 12B.10B of the Code of Iowa and have been approved by the Board. | | | | | |
| 9. Determine investment transactions complied with the written investment policy. | B | | | | |
| 10. Determine all investments are authorized and comply with statutory provisions of Chapter 12B.10 of the Code of Iowa, as applicable. | B | | | | |
| 11. If applicable, determine if the College has an appropriate public funds custodial agreement prescribed in Chapter 12B.10C of the Code of Iowa and the Treasurer of State's administrative rules. | B | | | | |
| 12. Determine the underlying collateral of repurchase agreements consists of authorized investments and that the client has taken delivery of the collateral either directly or through an authorized custodian as provided in Chapter 12B.10(5)(a)(5) of the Code of Iowa. | A,B | | | | |
| B. Confirm investments at the end of the year and trace amounts to book balances. | A,C | | | | |
| C. Related Income | C | | | | |
| 1. Determine all investment income was received and recorded in the proper fund. | | | | | |
| 2. Recalculate interest on a test basis. | | | | | |
| 3. Compute accrued interest receivable at June 30, if significant. | | | | | |
| 4. Determine if interest earned on pooled accounts is fairly and properly allocated to those funds and accounts from which the interest arose. | | | | | |
| 5. In accordance with Chapter 12C.9(2) of the Code of Iowa, interest earned on the proceeds of notes, bonds, refunding bonds and other evidence of indebtedness and funds accumulated for the payment of principal and interest or reserves (debt service) is: | | | | | |
| 1) used to pay the principal or interest as it came due on the indebtedness (credited to retirement of indebtedness fund) or | | | | | |
| 2) credited to the fund for which the indebtedness was issued. | | | | | |

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| 6. Test interest rates to determine whether rates are in accordance with statutory rates established by the State Rate Setting Committee. | B | | | | |
| D. Determine propriety of any investments pledged as debt collateral or otherwise restricted. | B,D | | | | |
| E. Footnote disclosure/financial statement presentation: | | | | | |
| 1. Determine investments are reported at fair value and the change in fair value is recorded as net increase (decrease) in the fair value of investments in accordance with GASB 31 and GASB 72. | C | | | | |
| a. 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). | | | | | |
| b. Determine the proper application of the fair value hierarchy input level for each investment in accordance with GASB 72 as follows: | | | | | |
| 1) Level 1 inputs – quoted prices in active markets for identical assets. | | | | | |
| 2) 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. | | | | | |
| 3) Level 3 inputs – significant unobservable inputs using the best information available | | | | | |
| 2. If the College uses pricing services or brokers to obtain fair value measurements, determine the College has determined those prices have been developed in accordance with GASB 72. | | | | | |
| 3. 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. | C,D | | | | |
| 4. Document investment information for footnote disclosure in accordance with GASB 40 as follows: | D | | | | |

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| <ul style="list-style-type: none"> a. Investments on hand at June 30 should be listed by type and include maturities. b. Include the appropriate disclosures for the applicable risks: <ul style="list-style-type: none"> 1) Credit risk. 2) Custodial credit risk. 3) Concentration of credit risk. 4) Interest rate risk. 5) Foreign currency risk. 5. Determine total portfolio yield reported by the College and evaluate for accuracy. 6. In the extremely rare instance the College 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 College has derivatives, it is likely a questionable investment and, accordingly, a statutory comment will be required. 7. If the College 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. | | | | | |
| F. Identify the outside persons who invested public funds, provided advice on the investing of public funds, directed the deposit or investment of public funds or acted in a fiduciary capacity for the College during the audit period. | | | | | |
| <ul style="list-style-type: none"> 1. Determine contracts or agreements with outside persons require the outside person to notify the College in writing of the existence of material weaknesses in internal control or regulatory orders or sanctions regarding the type of services being provided under the contracts or agreements. 2. Obtain and review the following: <ul style="list-style-type: none"> a. The most recent audited financial statements and related report on internal control of outside persons involved in investing activities for the client. | | | | | |

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| <u>CONCLUSION:</u> We have performed procedures sufficient to achieve the audit objectives for investments and the results of these procedures are adequately documented in the accompanying work papers. In-charge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____ | | | | | |