

RIZ 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 RIZ's investments. (1,2,3) | | | | | |
| B. Investment values, income, gains or losses are stated correctly and allocated properly to funds. (4,7,9) | | | | | |
| C. Investments are properly described and classified in the financial statements and related disclosures, including restrictions and commitments, 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 balance to the year-end bank reconciliation/books. | A,B | | | | |
| 2. Determine all investments were recorded. | A | | | | |
| 3. On a test basis, trace collections from sale of investments to cash receipts journal or to rollover investment. | A | | | | |
| 4. Examine investments on hand and trace to schedule or investment record. | A,B | | | | |
| 5. If the RIZ has investments in government securities, sight actual investment certificate if held by the RIZ, or confirm ownership with outside safekeeping agent. | A | | | | |
| 6. Determine all investments are recorded at cost or, if acquired by gift, at fair value at date of gift. (See Step F below for cash basis and step A in the RIZ accrual audit program for GAAP basis cities. Investments are to be reported at fair value in accordance with GASB 72.) | B | | | | |
| 7. 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. | B,C | | | | |

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| 8. For investments held by the RIZ at the end of the year not able to be inspected because they were sold prior to our audit, vouch sale of investments to supporting documents and trace proceeds to bank deposit. Examination of safekeeping receipts is not sufficient. | A | | | | |
| B. Confirm investments at the end of the year. | A,B | | | | |
| C. Determine if a fiduciary relationship exists between the RIZ and the deferred compensation plan which complies with IRC Section 457 plans. (A fiduciary relationship exists if there is a formal trust agreement between the RIZ and the Section 457 plan, the RIZ offers investment advice or the RIZ is involved in the administration of the plan.) | A,B | | | | |
| 1. If a fiduciary relationship exists, the deferred compensation plan assets should be recorded as a Pension Trust Fund, in accordance with GASB 32. | | | | | |
| 2. Confirm material deferred compensation plan assets at the end of the year. | | | | | |
| 3. If no fiduciary relationship exists, the plan assets should not be displayed on the face of the financial statements and disclosure is not required. | | | | | |
| D. Related Income | B | | | | |
| 1. Recalculate interest on a test basis. | | | | | |
| 2. Determine all June 30 unrecorded interest has been recorded to the credit of the appropriate fund. | | | | | |
| E. Determine the propriety of any investments pledged as debt collateral or otherwise restricted. | C | | | | |
| F. For cash basis cities, prepare a workpaper documenting fair value of investments on hand at June 30 for footnote disclosure. | C | | | | |
| 1. 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). | | | | | |
| 2. Determine the proper application of the fair value hierarchy input level for each investment in accordance with GASB 72 as follows: | | | | | |
| a. Level 1 inputs – quoted prices in active markets for identical assets. | | | | | |

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| <ul style="list-style-type: none"> b. 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. c. Level 3 inputs – significant unobservable inputs using the best information available. | | | | | |
| G If the RIZ uses pricing services or brokers to obtain fair value measurements, determine the RIZ has determined those prices have been developed in accordance with GASB 72. | | | | | |
| H. Document other investment information for footnote disclosure in accordance with GASB 40, as follows: <ul style="list-style-type: none"> 1. Investments on hand at June 30 should be listed by type and include maturities. 2. Include the appropriate disclosures for the applicable risks: <ul style="list-style-type: none"> a. Credit risk. b. Custodial credit risk. c. Concentration of credit risk. d. Interest rate risk. e. Foreign currency risk. | C | | | | |
| I. If the RIZ has stock: <ul style="list-style-type: none"> 1. Determine whether the RIZ bought or was given the stock. 2. If the stock was acquired through gift, determine the terms and conditions of the gift. 3. Include pertinent documentation in the permanent file. | A,B | | | | |
| J. If the RIZ 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. | C | | | | |
| K. If the RIZ participates in security lending transactions, determine the transactions are properly reported and the appropriate disclosures are made in accordance with GASB 28. | C | | | | |

