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WAR DEPARTMENT TECHNICAL MANUAL

NON-CIRCULATING

WAR DEPARTMENT
AUDIT PROCEDURES
FOR
NONAPPROPRIATED FUNDS

WAR DEPARTMENT

NOVEMBER 1944

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WAR DEPARTMENT TECHNICAL MANUAL
TM 14-1008

This manual supersedes TM 14-1008, 10 January 1944

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AUDIT PROCEDURES
FOR
NONAPPROPRIATED FUNDS



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TM 14-1008, War Department Audit Procedures for Nonappropriated Funds, is published for the information and guidance of all concerned.

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BY ORDER OF THE SECRETARY OF WAR:

G. C. MARSHALL,
Chief of Staff.

OFFICIAL:

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*Major General,
The Adjutant General.*

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For explanation of symbols, see FM 21-6.

FOREWORD

Changes to this manual will be supplied on a page basis, and will be published as required. As change pages are received they will be inserted in their proper places, and the replaced pages destroyed.

Each page of the manual bears a date in its upper inside corner. This date is the date of the publication. Pages which represent changes will carry the date of the change and the number of the change. For example "C1," "C2," and so on.

Paragraphs are numbered consecutively throughout the manual. Paragraphs carrying decimal suffixes indicates newly added material; for example, a paragraph numbered 12.1 represents the first main paragraph following paragraph 12.

Pages are numbered consecutively throughout the manual. If new pages are added within the manual, the added pages will carry alphabetical suffixes "A," "B," "C," and so on. For example, if a new page is added between 11 and 12, the page will be numbered 11A. A second additional page in the same place would be numbered 11B, and so on.

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(To be issued later.)

This manual supersedes TM 14-1008, 10 January 1944

CHAPTER 1

INTRODUCTION

Section I. GENERAL

1. Purpose of Manual

a. The purpose of this manual is to provide auditing standards as a guide to auditors within continental United States who are charged with the responsibility of conducting audits of the funds listed in *d* below. The manual may, at the discretion of commanding officers, be used as a guide to auditors outside of the continental United States.

b. The audit procedures included herein are designed for the guidance of the auditor in carrying out the audits in a manner which will protect the interest of the Government and the Army.

c. The procedures herein are not designed to substitute inflexible rules and methods for the exercise of the auditor's judgment, nor do they place any restriction as to the extent of substantiation that may be required in any particular audit. The basic framework outlined in the manual is designed for the purpose of directing the auditor in the performance of the audit, and consists of certain minimum procedures which should be carried out for the particular type of fund, account or record. In order to obtain uniformity in the accomplishment of the audit and submission of the reports, the auditor should follow the program of audit as outlined in the manual. Exact conformance with the sequence of performance as prescribed in the manual may not always be possible. The auditor is expected to use judgment in the application of the procedures hereinafter provided, and adapt his audit procedures to existing conditions.

d. This manual provides procedures for use in the audit of the following:

- Post trust fund
- Central post fund
- Army Emergency Relief fund
- Post hospital fund
- Hospital subsistence account

However, these procedures may also be applied, so far as practicable, to other funds not mentioned herein but which are considered to be in the same category.

Section II. RESPONSIBILITY OF AUDITOR

2. Scope

a. Individuals designated as auditors and directed to perform audits of funds and accounts referred to in paragraph 1*d*, are, in general, responsible for the performance of a systematic examination of the books and records pertaining to such funds and accounts for the purpose of substantiating and rendering a report upon the accuracy of the financial statements and reports and the effectiveness of the control.

b. The auditor will be responsible for determining compliance with prescribed accounting procedures, regulations, and directives. Requirements for major changes in procedure will be made in writing over the signature of the appropriate officer. The auditor will bear in mind that his criticism in all cases should be constructive and that his mission is to correct faulty procedure through competent advice rather than merely to report violations of prescribed procedures and regulations to higher authority.

CHAPTER 2

AUDIT PROCEDURES APPLICABLE TO NONAPPROPRIATED FUNDS

Section I. GENERAL AUDIT PROCEDURES

3. Preliminary Survey

a. The auditor should make a preliminary survey prior to the initial audit and record in a file of permanent working papers information covering each fund with regard to the following matters, where applicable:

(1) Purpose of the fund and authority for establishment thereof.

(2) General methods and policies of management and operations.

(3) Source of income and nature of authorized disbursements.

(4) Accounting personnel employed and records maintained.

(5) Extent of internal control.

(6) Adequacy of insurance coverage.

b. The auditor should review current War Department directives, Technical Manuals, post regulations, as well as terms of contracts, council procedures, minutes of council meetings, etc., pertaining to the fund or account under audit.

4. Internal Control

a. The principle on which internal control is founded may be stated to be an arrangement of accounting routine whereby no one person is in complete control of any important part of the transaction and whereby the work of one person is checked by another, thus effecting a continuous check on the accounting details.

b. Precautionary measures are valuable chiefly for their moral effect and the importance of that purpose should not be underestimated.

One of the values of proper auditing lies in the effect upon the employees as a deterrent to fraud.

c. The auditor should guard against being misled by indications of internal control when in fact such control may be nonexistent or purely perfunctory.

d. Adequate internal control of all details, however, probably will not be found in the type of funds under consideration because of the limited number of persons handling the fund transactions. The auditor must, therefore, assure himself that the internal check or control is as effective as the size of the account warrants in order to minimize errors and the possibility of defalcation.

e. With respect to nonappropriated funds, the responsibility of the fund's council is to insure adequate control as far as practicable to induce care, honesty, and accuracy in the recording of the transactions.

5. Scope of Audit

a. The auditor should inquire into all matters affecting the financial status of each fund and review the propriety of the transactions.

b. In determining the extent of verification, the auditor should consider—

(1) The size of the fund.

(2) The nature and complexity of the transactions.

(3) The condition of the records and accuracy of representations.

(4) The extent and quality of internal audits made by councils.

c. It is the intent that selective tests will be made with respect to all audit procedures prescribed except where it is indicated in the manual that a detailed check should be performed; the simplicity of the fund warrants a detailed check; or where the results of the test indicate the need for more extensive auditing. Reliance on the validity of all transactions can usually be obtained by the sampling and testing method which involves the selection of a representative group or number of transactions for complete audit. The selection should consider all the factors necessary to the attainment of a fair cross section of all the transactions.

6. Working Papers

a. The auditor's working papers are a record of the audit procedures carried out. Unless the auditor maintains a high standard of form, the current use of working papers is hindered and their use as a later source of reference is similarly impaired. The matters of form include the orderly layout of the working papers, and also the care and neatness in which they are prepared. Good form requires the combination of these two essential elements.

b. The working papers should contain a clear and complete record of the checks performed, the name of the auditor, the name of the fund under audit, and the date the work was performed. Not more than one type of subject matter should be included on each sheet. Uniformity as to the size of sheets used is desirable.

c. When an audit is completed the working papers should be systematically filed for reference at subsequent audits. It is mandatory that the auditor maintain control of his working papers at all times during the conduct of an audit.

7. Report of Audit

a. The auditors' report constitutes the official record of audit and should be submitted in accordance with current instructions issued by the

respective headquarters, service commands or Army Air Forces commands.

b. A suggested form of the auditor's certificate and report of examination are prescribed in figure 1.

REPORT OF AUDIT OF NONAPPROPRIATED FUNDS

(Headquarters)

(Date)

FILE:

1. STATION

2. COMMANDING OFFICER:

3. FUND: From To

4. CUSTODIAN(S) From To

5. AUDIT RECORD

Period audited From To

Audit time Man-hours

6. BRIEF HISTORY, AUTHORITY AND PURPOSE OF FUND:

7. I have examined the records of the above fund in accordance with the procedures prescribed in TM 14-1008, and in my opinion subject to any comments in item 8 below, the financial statements attached hereto correctly present the position of the (Name of fund) at (Date), and the result of operations for the period indicated:

(Official signature)

Auditor.

8. AUDITOR'S COMMENT: (The auditor will state herein, insofar as he was able to judge, any practices of doubtful character or in violation of Army Regulations, other War Department directives or Army Emergency Relief Handbook. Any abnormal, unusual, or irregular matters coming under the auditor's observation will be reported as well as failure to correct irregularities and/or discrepancies noted in previous reports of audit. He will further indicate any improper or incorrect accounting practices followed and the required corrective measures to be taken.) Note: Determination as to the financial statements or summaries thereof to be submitted with the certificate will be made by the respective headquarters, service commands or Army Air Forces.

Figure 1.

Section II. GENERAL AUDIT PROCEDURES APPLICABLE TO CASH

8. General

The audit procedures outlined herein generally will be applicable to all funds. The following paragraphs contain guides to the auditor in connection with cash transactions.

9. Cash on Hand

a. Ascertain who is responsible for safekeeping of funds and the facilities available. Ascertain bonding coverage, if any.

b. Count the cash on hand and reconcile the balance to the amount purported to be on hand at the date of the financial statements.

c. If any checks are included in funds on hand, supervise the deposit of such items and request the bank to give notice direct to auditor of any such checks not honored. If supervision of the deposits is impracticable, the auditor should require an itemized deposit slip receipted by the bank.

d. Ascertain whether the balance on hand at end of month of period under audit is within the limits of the approved amount for working purposes of the fund.

10. Cash in Banks

a. Obtain the reconciliation of the bank account as at the close of the period under examination and check the reconciliation to see that it is in order. Confirm balance of cash in bank as at the close of period under examination direct with bank.

b. Obtain directly from the depository the bank statement, paid checks, and other vouchers at a date a few days or immediately following the date of the count of cash on hand.

(1) Compare the checks with the list of outstanding items appearing on the reconciliation.

(2) Make certain that all checks returned with the bank statement are recorded in the books and that all checks dated on or prior to the date of the audit were included in the reconciliation.

(3) If any check of substantial amount, included in the reconciliation remains outstanding, determine by correspondence with the payee, the reason therefor.

c. Where checks of relatively material amount were outstanding at the date of the previous audit, examine the cancelled checks subsequently returned.

d. Ascertain that deposits shown as in transit at audit date appear on subsequent bank statements. Trace cash receipts for the period between the official date of audit and the date on which the cash on hand was counted, to the bank statement.

e. Investigate the nature of any deposit items which have been charged back by the bank after the date of the audit (as shown by subsequent bank statements) and determine the cause of their uncollectibility.

f. Ascertain whether funds are maintained in authorized depositories; ascertain the official designation of the account and the authorized signature(s) for withdrawals. Determine compliance with War Department regulations with respect to insurance of deposits exceeding \$5,000.

**Section III. GENERAL AUDIT PROCEDURES—
OPERATING EXPENSES****11. General**

The following audit procedures will apply to operating expenses common to certain nonappropriated funds.

a. The auditor will determine that expenditures are made in accordance with the policies and procedures prescribed and within the limitations of the purposes for which established. Vouchers supporting cancelled checks should be examined for:

(1) Propriety of expenditures in accordance with applicable regulations.

(2) Approval.

(3) Receipt of goods or services.

(4) Prices and extensions and payment.

b. Ascertain that obligations are not being incurred which cannot be met in full from funds on hand or to be received during the current month unless previously approved in writing by the post commander.

c. Pay roll verification will be required in varying degrees in connection with the audit of all funds. Depending on the volume and

other factors involved, check the pay rolls as follows:

- (1) Check names listed on pay roll to authorizations for employment and rate.
- (2) Check hours to attendance records.
- (3) Verify extensions and footings.
- (4) Examine receipts obtained from employees for signatures. If payment is made by check, examine the canceled checks.

d. Compensation from nonappropriated funds to enlisted personnel may be paid within the limitations prescribed in AR 210-50. Review this section of the pay roll for compliance with such regulations.

e. If there are any unclaimed wages on hand at the time of audit, determine reasonableness of length of time held.

f. In the event personnel whose salaries are paid from appropriated funds are employed part-time in the administration of nonappropriated funds, the auditor will obtain the basis for administrative determination as to the amount reimbursable from nonappropriated funds.

Section IV. AUDIT PROCEDURES—POST TRUST FUNDS

12. General

The purpose of these procedures is to determine that all amounts paid to the custodian of the post trust fund have been properly accounted for, and that distribution of the amounts collected have been properly made to the participating funds.

13. Cash on Hand and in Bank

Procedures as prescribed in paragraphs 9 and 10 should be applied.

14. Cash Receipts

The auditor in his judgment will apply tests in the audit of cash receipts as follows:

- a.* Compare cash collections recorded in collection column of the cash receipts and disbursements record with the statement of

dividends, letter of transmittal or other documentary evidence.

- b.* Check deposit of receipts into bank.

c. Compare itemized amounts on duplicate deposit slips with summary vouchers and with entries in the cash receipts and disbursements record.

d. Reconcile total deposits shown by the bank statements with total receipts shown in the record of cash receipts and disbursements.

e. Prove arithmetical accuracy of the record of cash receipts and disbursements.

15. Cash Disbursements

The auditor will obtain from the commanding officer of the installation, a listing of all funds entitled to participate in the distribution of amounts collected, and perform the following:

a. Ascertain whether monthly financial statements are being submitted on the dates required.

b. Check monthly financial statements to the record of monthly distributions and determine that the distribution of the dividends to the participating funds are computed in accordance with prescribed formulas. Prove arithmetical accuracy of computations and test the footings of the total columns of the record of monthly distributions for substantial accuracy.

c. Verify amounts paid to participating funds reflected on the record of monthly distributions and the record of cash receipts and disbursements.

d. Compare canceled checks with the entries in the record of cash receipts and disbursements.

Section V. AUDIT PROCEDURES—CENTRAL POST FUNDS

16. General

The accounts of the central post funds involve in addition to income and expense accounts, certain asset and liability accounts. The following paragraphs contain guides to the auditor in the performance of the audit of central post funds.

17. Cash and Securities on Hand and in Bank

a. The procedures outlined in paragraphs 9 and 10 relative to the audit of cash on hand and in the bank will apply.

b. The following procedure will apply to the audit of securities.

(1) Verify existence of the securities by actual examination and observe safekeeping facilities. Ascertain who has access to the safety deposit box.

(2) Compare the certificate numbers with those shown on the investment record.

(3) Examine delivery and sales slips covering acquisitions and dispositions for the period and check to the accounts payable register, cash disbursements register, general ledger and investment record. Obtain pertinent information with respect to issue price, maturity value, interest rates, and payment dates.

(4) Compute the interest receivable during the period from interest-bearing bonds and check the collection to entry in the general ledger.

(5) In the case of bonds purchased at a discount and increasing in value from the issue date, no interest payment will be received during the period held, as interest accrues by virtue of increases in redemption value. For the purpose of accounting for nonappropriated funds, the difference between the redemption or maturity value and the purchase price will be taken into the accounts upon disposition of the securities.

18. Cash Receipts

All receipts will be deposited in the fund bank account and no amounts collected will be retained in the cash on hand account. The auditor will accordingly apply tests in the audit of cash receipts as follows:

a. Compare any available letters of transmittal in the files of the central post fund with recorded receipts in the general ledger.

b. Check deposits of receipts into bank.

c. Compare itemized amounts on duplicate deposit slips and summary vouchers with entries in the general ledger.

d. Reconcile total deposits shown by the bank statement with total receipts shown by the general ledger.

19. Post Communication Services

The accounts of post communication services are subsidiary to the central post fund accounts, therefore the auditor must familiarize himself with the provisions of current War Department directives and manuals on this subject.

a. Substantiate income by checking the appropriate statements, underlying records, etc. with recorded income.

b. Obtain the listing of personal charges collectible and check the segregation between post signal fund credits and the amount remitted to the accountable officer for payment due the telephone company and Internal Revenue Department for personal toll charges and taxes, respectively.

c. Where trunk rental expense is prorated between official and personal use, review the calculations and verify the amount charged and remitted to the finance officer.

d. Review the calculation of commissions received from the telegraph company by reference to the agreed rates for each classification and to the records maintained in the post signal office and the number of messages handled.

e. Check the payments to enlisted personnel to allowances provided in Army Regulations.

f. Review normal operating expenses incurred in connection with post communication services to determine charges are in accordance with prescribed regulations.

g. Verify computation of the amount transmitted to the central post fund.

20. Expenses

a. Determine that authorizations to incur obligations are properly approved and on file to

support entries in the accounts payable register, cash disbursement register and general ledger.

b. Determine that expenditures are in accordance with the authorizations.

c. In cases where expenses exceed the authorization to obligate, ascertain that supplemental authorization was obtained prior to incurring the additional expense.

21. Property

The auditor will examine the charges and dispositions recorded on the property record for the period involved and compare with invoices, receiving reports, shipping tickets and inventory reports.

a. Determine that items purchased are authorized for acquisition by the fund and check to specific approval.

b. Ascertain whether items consumed or expended are being properly accounted for on the property record and that proper approvals have been obtained for write-offs.

c. Test check the arithmetical accuracy of the unit price allowed for disposition in accordance with the prescribed procedures.

d. Ascertain that property receipts are returned to the officers or custodians who submitted them, when write-off of such items is authorized.

e. Determine the extent and frequency of physical checks.

f. Observe by actual inspection the existence of major items.

22. Accounts Payable

a. Substantiate the accounts payable with vendors' statements or by direct confirmation, if circumstances warrant.

b. Ascertain that current liabilities do not exceed current authorizations to obligate. Determine that payments are made promptly, and ascertain that advantage is being taken of discounts offered.

c. Test the footings of the monthly total

columns for substantial accuracy and verify postings to the general ledger.

d. Check the total amount of listings of unpaid accounts at the audit date against the adjustment entry in the general ledger for unrecorded obligations.

23. Working Capital

a. Check the monthly statements of operations to the accounts payable register and general ledger and ascertain that receipts, expenses, purchases of fixed assets and net working capital are accurately recorded on the statement.

b. Verify strength of organization as reported on the monthly financial statement with the applicable morning report.

Section VI. AUDIT PROCEDURES—ARMY EMERGENCY RELIEF FUNDS

24. General

The auditor should thoroughly study the accounting instructions, forms, and procedures prescribed in the Army Emergency Relief Handbook. The procedures that follow relate to the auditing aspects only.

25. Cash on Hand and in Banks

a. Branch division, subdivision, and section offices of the Army Emergency Relief are not permitted to maintain cash on hand for any purpose whatsoever; therefore, ascertain that all cash receipts are being deposited in the bank as promptly as possible.

b. Verify that monthly bank reconciliations during the period under examination have been made.

c. Apply procedures as prescribed in paragraphs 9 and 10.

26. Cash Receipts

a. The auditor should determine that numerically controlled duplicate receipts, properly signed by the receiving officer or his authorized representative, are on file for all cash received. The totals of all duplicate receipts should be

compared with the recorded cash receipts in the cash book.

b. Depending upon the volume of transactions, the size of the activity, and the internal safeguards, the auditor in his judgment will apply tests in the audit of cash receipts as follows:

- (1) Check deposit of receipts into banks.
- (2) Compare itemized amounts on duplicate deposit slips with entries in the cash book.
- (3) Compare totals of individual deposit slips with entries in the check book.
- (4) Reconcile total deposits shown by the bank statements with total receipts shown by the cash book and total deposits shown by the check book.
- (5) Prove arithmetical accuracy. Footings of the total columns of receipts recorded in the cash book should be tested and distribution scanned for substantial accuracy.
- (6) Check the monthly columnar totals of cash book receipts to the corresponding items of the monthly financial report.

27. Disbursements

All disbursement entries originate from the check book, and are recorded in the disbursement side of the cash book. The canceled checks should be compared with the entries in the cash book and examined for dates, name of payees, amounts, and indorsements.

a. Ascertain that checks are properly signed by two officers specifically designated for this duty, as required by prescribed regulations.

b. Ascertain that unpaid checks returned for cancellation are properly recorded in the cash book.

c. Account for all check numbers for a selected period and examine voided checks to see that they are properly mutilated.

d. Check footings of the cash book disbursements for the period under examination, scan distribution for substantial accuracy, and check the postings to the monthly financial statement.

e. Check loans made during the period to

application forms for required signature, supporting correspondence, etc.

f. With respect to branch, division or subdivision accounts, verify a representative number of postings to the section control ledger accounts.

g. Inquire into the basis for granting relief in the form of a cash grant rather than as a loan.

28. Loans Receivable

a. Receivable balances will consist of loans made by the Army Emergency Relief. The auditor should verify outstanding loans at the audit date with loan record or application forms.

b. Check record of all closed loan accounts for proper approval, explanations, or substantiating data. Determine reason for classification of loan as uncollectible.

c. Select a group of individual loan records and check all recorded collections shown with the duplicate copy of receipts on file.

d. The auditor should consider the advisability of test confirmations when, in his judgment, circumstances warrant this independent audit test.

e. The auditor will review the age of accounts and ascertain that proper follow-up is being made of overage accounts.

Section VII. AUDIT PROCEDURES—POST HOSPITAL FUNDS

29. General

a. The audit procedures outlined herein will be applicable to post hospital funds. The predominant feature of the audit will pertain to cash receipts and disbursements and certain asset and liability accounts.

b. All cash receipts are required to be deposited in the bank and all disbursements will be made by check, except when a petty cash fund is authorized and approved.

30. Cash on Hand and in Bank

Procedures as prescribed in paragraphs 9 and 10 should be applied.

31. Cash Receipts

All collections of cash will be recorded in the cash receipts register, and deposited in the bank. No collections will be used for payment of obligations of the fund. The auditor will make the audit of cash receipts as follows:

a. Check the vouchers in the files and other data to determine that all cash that the fund should have received actually was received and recorded in the cash receipts register.

b. Check deposits of receipts into bank.

c. Compare itemized amounts on duplicate deposit slips with entries in the cash records.

d. Prove arithmetical accuracy and check total footings. Check monthly postings of total cash receipts to the entry in the general ledger.

e. Reconcile total deposits shown by the bank statement with total receipts shown by the cash receipts register.

f. Obtain a listing, direct from the custodian of the hospital subsistence account, of dates and amounts of payments to the Post Hospital fund and trace these amounts to the cash receipts register.

32. Expenses

a. The auditor should review items of expense and ascertain that expenditures are made for the welfare of patients in accordance with policies established by the Surgeon General.

b. The auditor should apply the procedures outlined in section III, chapter 2, relative to the audit of operating expenses.

33. Property

The auditor will examine the charges and dispositions recorded on the property record for

the period and compare with invoices, receiving reports, shipping tickets and inventory reports.

a. Determine that items purchased are authorized for acquisition by the fund and check to specific approval.

b. Ascertain as to whether proper determination is being made relative to expendable and durable property.

c. Ascertain that physical inventories are being taken and property records adjusted accordingly.

d. Test check the arithmetical accuracy of cost price recorded on the property record.

e. Verify accuracy of latest inventory with the property records.

34. Accounts Payable

a. Check the authorized or substantiated accounts payable with vendors' statements or other appropriate underlying documents. Verify the accounts payable direct with vendors, if circumstances warrant.

b. Determine that payments are made promptly.

c. Check total footings of columns of accounts payable register and verify postings to general ledger.

35. Working Capital

a. Check the monthly financial statements to the general ledger and ascertain that assets, liabilities, income, expenses and net working capital are accurately recorded on the statement.

b. Verify bed capacity of hospital and ascertain that amount retained as net working capital at end of month is within currently prescribed limitations.

CHAPTER 3

AUDIT PROCEDURES APPLICABLE TO HOSPITAL SUBSISTENCE ACCOUNT**Section I. GENERAL****36. Preliminary Survey**

The auditor should be thoroughly familiar with the current accounting procedure and records prescribed for the hospital subsistence account. As a basis for organizing his auditing effort, the auditor will, prior to the performance of the detailed audit, obtain from the custodian and by actual observation, the following information which should be recorded in his working papers:

- a. Name of commandant of hospital.
- b. Name of custodian(s) and orders appointing.
- c. Bank account.
 - (1) Name in which fund is carried.
 - (2) Check signatures required.
- d. Compliance with prescribed procedures with respect to organization and operation.
- e. Accounting records maintained and personnel employed.
- f. Extent of internal control.
- g. Adequacy of insurance coverage.

37. Internal Control

See paragraph 4.

38. Scope of Audit

See paragraph 5.

39. Working Papers

See paragraph 6.

40. Report of Audit

The form of report will be similar to the exhibit prescribed in paragraph 7, and will be sub-

mitted in accordance with current instructions issued by the respective command headquarters.

Section II. APPLICATION OF AUDIT PROCEDURES**41. Cash on Hand and in Bank**

a. The custodian of a hospital subsistence account is permitted to maintain a petty cash fund in an amount determined to be necessary by the council. The auditor will count the cash in the petty cash fund and reconcile the balance to the amount purported to be on hand at the date of the last financial statement. Where approval has been given by the council for the accumulation of collections for the purpose of periodic deposits, the auditor will verify the amount of such accumulated cash receipts.

b. Procedures as prescribed in paragraphs 9 and 10 will be applied.

42. Cash Receipts

All collections of cash will be recorded in the cash receipts register and deposited in the bank intact. The auditor will apply tests in the audit of cash receipts as follows:

- a. Compare recorded receipts in the cash receipts register with vouchers in the file.
- b. Check deposits of receipts into bank.
- c. Compare itemized amounts on duplicate deposit slips with entries in the cash records.
- d. Prove arithmetical accuracy of cash receipts register and check total footings. Check monthly postings of total cash receipts to the entry in the general ledger.
- e. Reconcile total deposits shown by the bank

statement with total receipts shown by the cash receipts register.

43. Income

a. Commutation of rations.

(1) Obtain the vouchers for commutation of rations, and compare the total rations for each classification with the registrar's statement of patients hospitalized and the morning report of the medical detachment.

(2) Check the rate per ration for each classification with the rate or formula established by the Quartermaster General and verify the total computation of the vouchers.

(3) Check the total value of the rations due, to amount recorded in the accounts receivable register.

b. Subsistence charges for patients in hospital.

(1) Obtain certificates, reports, or other records prepared by the office of the registrar of the admissions and dispositions during the period. Such lists will show the subsistence classification.

(2) Check computations of total charges; check rate for each classification to authorized list of rates for subsistence and other charges in accordance with current directives.

(3) Determine the total amount of official receipts, if issued, or other appropriate documents evidencing collections during the period and trace the total to entry in the cash receipts register and in the monthly financial statement submitted to the Surgeon General. Determine that all collections are accounted for.

(4) Check the total value of subsistence charges due, to amounts recorded in the accounts receivable register.

c. Income from messes.

(1) Obtain the meal sheets for each mess or other available data and calculate the approximate total income receivable at the current authorized rates.

(2) The amounts computed in (1) above should approximate the income from messes

shown in the record of income and purchases of messes.

d. Check certificates of collections signed by the custodian or other available documents evidencing the amounts collected by contribution, donation, grant or loan to amounts recorded in cash receipts register.

44. Expenditures

a. Ascertain that expenditures for expense of operation of the hospital subsistence account are being made in accordance with the provisions of current army regulations and War Department directives. The auditor should apply the procedures outlined in section III, chapter 2.

b. Compare canceled checks with entries in the cash disbursement register and examine for names of payees, amounts, signatures and indorsements.

c. Account for voided checks and ascertain that all check numbers are in sequence and properly accounted for during a representative period.

d. Verify disbursements to post hospital fund directly with the custodian of that fund.

e. Test footings of the total column of the cash disbursement register and check posting to the entries in the general ledger.

45. Accounts Receivable

a. Scrutinize entries in the accounts receivable register to ascertain that all debits are for sales of merchandise or services.

b. Review age of accounts. Determine whether accounts due at end of audit period have been paid since the close of the period. Include a listing of past due accounts in the audit report.

c. Determine reason for write-off of account balances and check to proper approvals. Prepare listings of dishonored checks written off to net working capital, and verify write-off by actual examination of the dishonored checks.

d. Verify distribution in the respective income columns of the accounts receivable register with the detail provided by the supporting documents; verify footings of the columns, and check postings to the general ledger.

46. Inventory

a. Inventory record cards of stocks on hand will be maintained for each item of supply for use in the hospital mess. The auditor should check a portion of quantities in the physical count with the book records and investigate any substantial discrepancies. Determine that card records are adjusted to agree with the physical counts.

b. See that the original count sheets of the physical inventory bear the signatures of the persons taking the inventory.

c. For the purpose of checking the accuracy of the "cut-off", check a number of purchases and quantities issued at the end of the period to determine that the transactions have been properly recorded in the accounts during the period under review.

d. Check prices of the inventory to values shown on the current Quartermaster price list, or the most recent purchase price if not included on the Quartermaster price list.

e. Check a representative number of extensions and footings of inventory records for

arithmetical accuracy and verify postings to the general ledger.

47. Accounts Payable

a. Check the accounts recorded in the accounts payable register with the vendors' statements and receipted delivery tickets or other evidence of delivery. Verify the accounts payable direct with vendor's, if circumstances warrant.

b. Verify arithmetical accuracy.

c. Determine that payments are made promptly.

d. Ascertain that the total of expenses column of the income and purchases record is reconciled monthly with the accounts payable register.

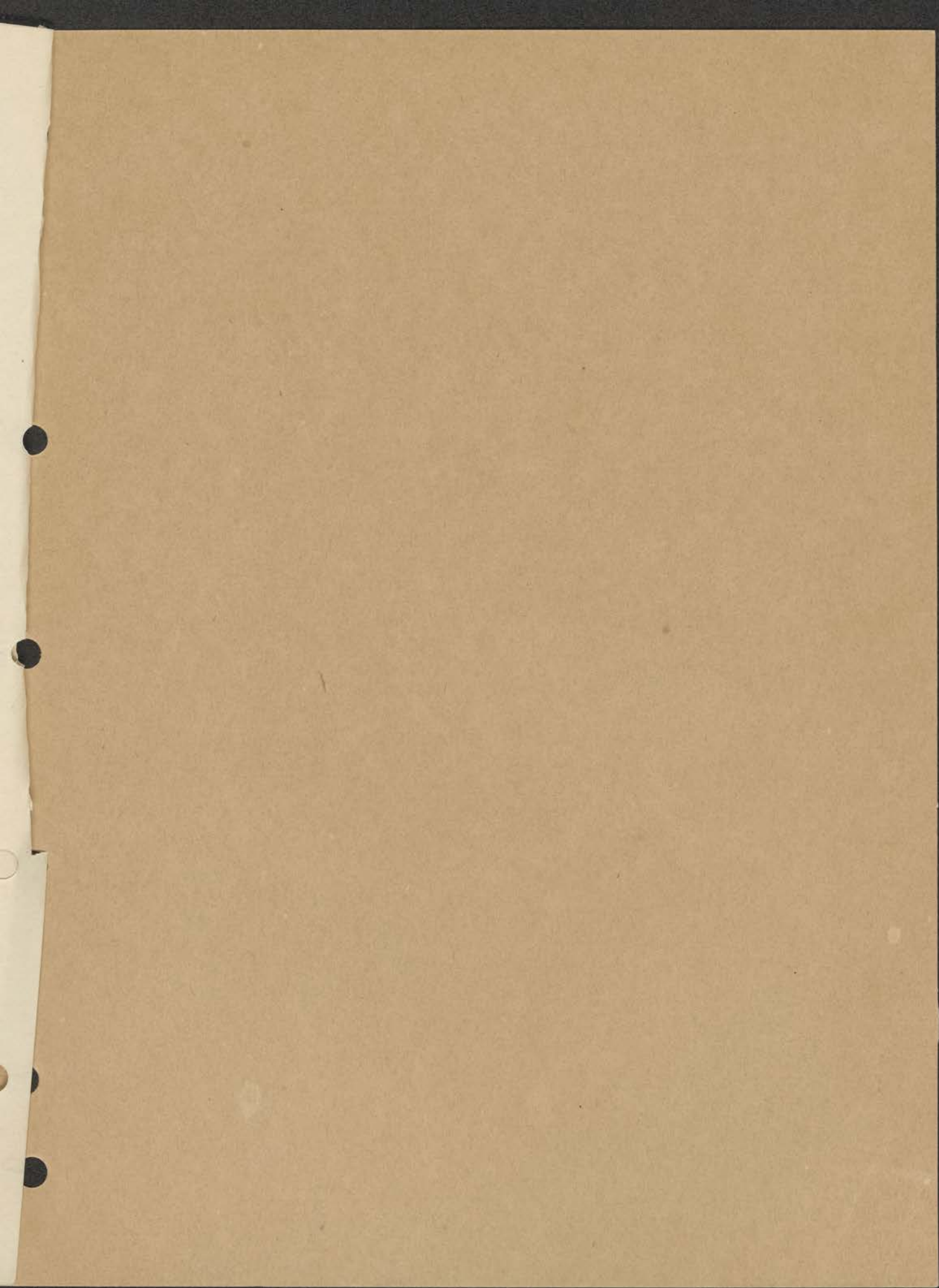
e. Check total footings of columns of accounts payable register and verify postings to the general ledger.

48. Working Capital

a. Check the monthly financial statement to the books of account and ascertain that assets, liabilities, income, expenses and net working capital are accurately recorded on the statement.

b. Verify bed capacity of hospital and ascertain that amount retained as net working capital at end of month is within currently prescribed limitations.

c. Verify arithmetical accuracy of the financial statements selected for examination.



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