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INSERTS IN THIS ISSUE

**COSO INTERNAL CONTROL—INTEGRATED FRAMEWORK PRINCIPLES
FEDERAL PROCUREMENT CLAWS**

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SUBMIT YOUR COMMUNITY ANNOUNCEMENT

You may submit "Not for Profit Corner" announcements by email (admin@LindleyCPAs.com) or fax (206-332-0957). Call 206-332-0386 for publication dates. There is no fee for this service.

The information in this newsletter is necessarily brief. No final conclusions on these topics should be drawn without further review and consultation. For additional information, PLEASE CONTACT US.

BANK RECONCILIATION REVIEW – DO IT RIGHT

By Martha Lindley CPA

Reviewing the bank reconciliation is one of the single most important internal controls in an organization. (Report titles used are from QuickBooks, but the concepts are universal.)

Checks that cleared – On the reconciliation, scan the dates of the checks for a reasonable time frame.

Deposits that have cleared – If there is a log of checks that were received by mail, agree the bank deposits total to the check log total. If there is no log, agree the deposits listed to the supporting documentation, ideally copies of the checks received stapled to the franked (the bank machine that marks the date of de-

posit) deposit slip. Or in a paperless system, the deposit slip is available online and a pdf of the checks are on the local drive under the date of deposit.

Scan for "General ledger" - When checks are produced (the line item will say "check") and cash deposits are made (the line item will say "payment"), the cash entry is posted automatically. Any "general ledger" line item was manually entered to CASH – your question is WHY? Such entries should have supporting documentation and be signed/dated as approved by management.

Uncleared checks – The check issue dates should be within about a 2 month period. Checks older than

three years that have not cleared are unclaimed "escheat" property. Unclaimed property refers to property being held by an organization that has not had contact with the payee for an extended period of time. Property is usually considered unclaimed after three years, when it is turned over to the state of Washington. Banks, retailers, credit unions, utilities, corporations, insurance companies, and governmental entities are some of the many sources of unclaimed property. Review non-cleared checks older than one year to determine if they are entry errors or are escheat property.

Continued on page 2.

PROCUREMENT CLAWS—WHAT ARE THEY?

By Martha Lindley CPA
Governments are required by law to purchase goods and services in a competitive environment. To ensure this, they have developed levels of purchasing, each with its own bidding requirements: micro (under \$3,000), small (\$3,000 - \$150,000), sealed (over \$150,000 and construction projects), competitive (over \$150,000 with fixed price or reimbursement based with evaluation proc-

ess) and sole source (unique, public emergency or no competition).

The new federal laws under the OmniCircular (formerly the Single Audit) require recipients to adopt and document, in writing, their adoption of and adherence with these rules.

NFPs not receiving federal funds are not required to follow these rules, but the regulations do demonstrate

good governance and equitable values of fair competitive bidding.

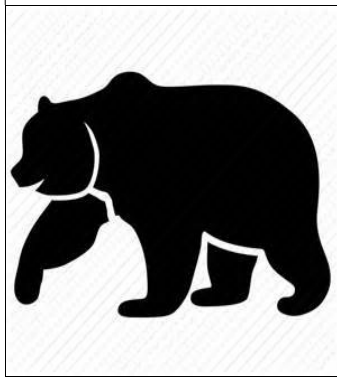
Knowing the rules the federal government may be useful as all grants are now required to be posted on-line (fedbizopps.gov or fbo.gov) so that all federal funding can be competitively bid. Familiarity with these guidelines may make it easier to respond. The website is for every project in the USA and is cumbersome.

Cont on page 2.

PROCUREMENT CLAW

Cont from page 1. Familiarity with bid rules will also assist the NFP in understanding state and local pass-through funds bidding requirements if the contracts contain federal bidding requirements. Under Washington state law, different type of entities (such as schools, counties, etc) have different bidding requirements, just to make the bidding issue more complicated.

We have included a poster of the claws for your reference in this newsletter. Credit for the claw goes to Gilbert Tran, Senior Policy Analyst with the Executive Office of the President, Office of Federal Financial Management, Office of Management & Budget.



I have called him several times and he is always gracious and generous with his time and expertise. 202-395-3812 direct or main office 202-395-3993, or hai_m_tran@omb.gov

Tech Corner

Cloud storage—files maintained off line by a hosting company. The host is responsible for accessibility and data protection of saved files. Data backup is insurance. On-line backup stores off-line (the cloud) thru the internet directly from the PC. The files are stored in the same file management configuration as the office.

Choosing When Backup Happens

File backup can be done in several manners. A fixed schedule, such as once a day, week, or month may be used. We prefer a full back up nightly. Some systems only back up files that have changed from the last back up. If there is a catastrophic event, the entire download can be uploaded as a unit. File backup does necessitate that computers being logged off (but not shut off) at certain times. *Martha Lindley CPA*

BANK RECONCILIATIONS

Cont from page 1

Deposits not made - The dates of deposits should be close to the end of the month of the date of the reconciliation - if they are "old", this is a BIG problem - this means cash was posted to the general ledger, and which management believes is available to pay for goods and services, but the deposit was never made it to the bank.

Agree bank reconciliation ending amount to the general ledger amount - The line item "Register Balance as of _____" should agree to the cash balance on the balance sheet (a different report) for the same day. The bank reconciliation show cash available, the general ledger records transactions - these are two separate activities that are reconciled.

Opening and closing balances - The "Cleared balance May 31, 2015" on the May bank reconciliations should agree with the "Beginning Balance" on the June bank reconciliation. Everything can be changed in QuickBooks anytime. A smart bookkeeper can make the books say anything, anytime. The integrity of the transactions must be monitored by supervisory personnel.

Continued on next page



COSO INTERNAL CONTROL

COSO is the standard for internal control. It incorporates not just the policy & procedures of accounting transactions, but the organization as a whole. NFPs with federal funding will be required to evaluate and document—in writing—their internal controls under this framework.

We have included a flyer of the 17 principles, but consider purchasing software tools to document your IC-AICPA Internal Control-Integrated Framework & Compendium Bundle or read summary at:

http://www.coso.org/documents/coso%202013%20icfr%20executive_summary.pdf

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BANK RECONCILIATIONS

Continued from previous page

Checks returned with the statement or available online -

Review cleared checks for checks made to cash, round dollar amounts, checks to employees, verify vendors are known, verify vendor address is included, check signatures is authentic, checks have been printed by QuickBooks and check are not manually written.

Record retention - Review the bank's retention policy for on-line retention. Banks provides variable years on-line storage of the statement and for a business account, the check copy images may be provided for free. As statements are usually PDF, it is easy to store locally (your PC).

Disclaimers - Bank statements contain the length of time any error - including fraudulent or forged checks - can be reported to the bank for recovery, usually 30 days. This time limitation is printed on the statement itself. Insurance policies also cover negotiated fraudulent checks, so check the policy.

Before you initial and date the bank statement and reconciliation as reviewed and approved, perform these steps timely, consistently and carefully. If adopting a paperless system, all internal controls remain the same. Many paperless systems are not effective as designed - making pdfs of paperwork does not a system make.



FEDERAL AUDIT CLEARINGHOUSE-CLOSED UNTIL 10/15/15

On Friday, July 25, 2015, the Federal Census Bureau, which is responsible for data production for both people and the economy, stated one of its computers was hacked. According to NBC, the target was the Federal Audit Clearinghouse (FAC). The FAC stores personal information, such as the name of the person submitting information, phone numbers, etc.

This information is not confidential, as this would be the same information on Guidestar on the Form 990. In July 2015, the U.S. Census Bureau temporarily took the (FAC) offline following this security breach. And offline means it is just gone! The Census Bureau released a statement confirming the cyberattack; however, the statement did not provide details on the extent to which information on the FAC was breached. The FAC will be offline through October 31, 2015, or almost four months.

The FAC is the government wide database used by grant recipients to submit the annual single audit. Federal awarding agencies and pass-through entities use the FAC to access single audits. Until the FAC website is restored, Federal awarding agencies and pass-through entities will need to directly contact recipients to obtain a copy of the single audit reporting package. The Census Bureau has not yet provided information regarding on how grant recipients should submit this year's single audit reports.

Word of caution, the FAC does not track the times it is inaccessible based on conversations I have had with their office (and they are very nice folks). This has resulted in some issues regarding "timely" filing as I could not prove the site was down and they do not track the times they are down. Failure to file timely has the serious consequence of being assessed as a high risk entity.

Print this paragraph out and put with the DCF filed if the filing was "late" due to the site being down.

This all the information currently available:

The following survey sites are temporarily offline for maintenance and testing because of our ongoing IT security investigation: Federal Audit Clearinghouse (Due dates between 7/22 - 9/30/2015 are extended to 10/31/2015)

Contact: 1-800-253-0696 erd.fac@census.gov

