

Auditing Liabilities and Other Activities
Case Study
Audit Confirmations

CASE STUDY

As a part of the audit of deposits, you have mailed confirmations to a number of the bank's customers. A number of customers have responded and their responses are found on the following pages.

Please review each of the following confirmations and perform the following:

1. Decide if the customer's comments represent a discrepancy.
2. If you decide that a discrepancy exists, describe what additional audit steps you would perform in order to resolve the discrepancy.

IN ACCOUNT WITH
FIRST NATIONAL BANK 111 SHADY STREET MAPLE CITY, MN 55555

AUDIT CONFIRMATION

As part of a regular and routine audit, we ask that you compare the information shown on this statement with your records. Please report any discrepancy on the bottom of this form and returning it in the enclosed envelope.

If this information agrees with your records, no reply is necessary.

TYPE OF ACCOUNT	ACCOUNT NUMBER
PERSONAL ACCOUNT	1600172
BALANCE	DATE
\$5,000.00	7/6/20xx

Jamie Jamison
2 Dogwood Place #A4
Maple City, MN 55555

Return to:

Mary McCabe, Internal Auditor FIRST NATIONAL BANK PO Box 1163 MAPLE CITY, MN 55555

TYPE OF ACCOUNT	ACCOUNT NUMBER
PERSONAL ACCOUNT	1600172

BALANCE	DATE
\$5,000.00	7/6/20xx

Social Security Number	xxx-xx-2345
Beginning Value	\$5,000.00
Rate	6.000%
Interest Paid This Year	\$0.00
Maturity Date	3/16/20xx
Term	6 Months

Please Report Any Discrepancy in the Space Below.

<p>The term of this CD should be 9 months.</p>
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TYPE OF ACCOUNT	ACCOUNT NUMBER
SAVINGS ACCOUNT	60000221
BALANCE	DATE
\$23,000.00	5/1/20xx

John Elsworth
1601 Elm Street N
Maple City, MN 55555

Return to:

Mary McCabe, Internal Auditor FIRST NATIONAL BANK PO Box 1163 MAPLE CITY, MN 55555

TYPE OF ACCOUNT	ACCOUNT NUMBER
SAVINGS ACCOUNT	60000221

BALANCE	DATE
\$23,000.00	5/1/20xx

Social Security Number	xxx-xx-2246
Beginning Value	\$23,000.00
Rate	7.250%
Interest Paid This Year	\$0.00
Accrued Interest	\$61.18
Maturity Date	10/21/20xx
Term	18 Months

Please Report Any Discrepancy in the Space Below.

This is not a "savings account." This is a certificate of deposit. Not the only one that we hold in this institution. I have no idea how much interest has accrued. The rest of the information is correct.

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TYPE OF ACCOUNT	ACCOUNT NUMBER
SAVINGS ACCOUNT	10249134
BALANCE	DATE
\$1,295.37	4/6/20xx

Mark Mathews
666 Devilswood Drive
Maple City, MN 55555

Return to:

Mary McCabe, Internal Auditor FIRST NATIONAL BANK PO Box 1163 MAPLE CITY, MN 55555

TYPE OF ACCOUNT	ACCOUNT NUMBER
SAVINGS ACCOUNT	10249134

BALANCE	DATE
\$1,295.37	4/6/20xx

Social Security Number	xxx-xx-2246
Balance	\$1,295.37
Date of Last Deposit	3/1/20XX
Amount of Last Deposit	\$1,294.30
Date of Last Withdrawal	-
Amount of Last Withdrawal	\$0.00
Accrued Interest	\$0.21
Interest Paid This Year	\$1.07

Please Report Any Discrepancy in the Space Below

I called the bank and asked our balance. George said the the information in this letter is correct.

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TYPE OF ACCOUNT	ACCOUNT NUMBER
Commercial Checking	8606306
BALANCE	DATE
(\$60.11)	7/16/20xx

Pritchard Plumbing
677 Industrial Park
Maple City, MN 55555

Return to:

Mary McCabe, Internal Auditor FIRST NATIONAL BANK PO Box 1163 MAPLE CITY, MN 55555

TYPE OF ACCOUNT	ACCOUNT NUMBER
Commercial Checking	8606306

BALANCE	DATE
(\$60.11)	7/16/20xx

Indentification Number	41-099678
Balance	(\$60.11)
Date of Last Statement	6/30/20xx
Balance of Last Statement	(\$60.11)
Date of Last Deposit	4/17/20xx
Amount of Last Deposit	\$500.00
Date of Last Withdrawal	5/19/20xx
Amount of Last Withdrawal	\$19.38

Please Report Any Discrepancy in the Space Below.

Outrageous overdraft fees have caused this negative balance. I won't pay them.

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TYPE OF ACCOUNT	ACCOUNT NUMBER
55 Advantage Acct.	715153
BALANCE	DATE
\$147,441.00	4/10/20xx

Thelma Todd
645 Spruce Lane
Maple City, MN 55555

Return to:

Mary McCabe, Internal Auditor FIRST NATIONAL BANK PO Box 1163 MAPLE CITY, MN 55555

TYPE OF ACCOUNT	ACCOUNT NUMBER
55 Advantage Acct.	715153

BALANCE	DATE
\$147,441.00	4/10/20xx

Social Security Number	xxx-xx-6214
Balance	\$147,441.00
Date of Last Statement	3/31/20XX
Balance of Last Statement	\$148,221.78
Date of Last Deposit	1/25/20xx
Amount of Last Deposit	\$165,000.00
Interest Paid This Year	\$0.00

Please Report Any Discrepancy in the Space Below.

My reconciliations haven't been done in a year. However, my running balance on the day of my \$165,000 was 215,134.94.

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TYPE OF ACCOUNT	ACCOUNT NUMBER
PLUS SAVINGS ACCT	10248456
BALANCE	DATE
\$15,538.64	4/6/20xx

Return to:

Mary McCabe, Internal Auditor FIRST NATIONAL BANK PO Box 1163 MAPLE CITY, MN 55555

Marilyn Richards
222 Linden Way
Maple City, MN 55555

TYPE OF ACCOUNT	ACCOUNT NUMBER
PLUS SAVINGS ACCT	10248456

BALANCE	DATE
\$15,538.64	4/6/20xx

Social Security Number	xxx-xx-5115
Balance	\$15,538.64
Date of Last Statement	4/6/20xx
Balance of Last Statement	\$15,538.64
Date of Last Deposit	2/23/20xx
Amount of Last Deposit	\$15,696.43
Date of Last Withdrawal	4/19/20xx
Amount of Last Withdrawal	\$450.00
Interest Paid This Year	\$78.90

Please Report Any Discrepancy in the Space Below

My social security number that I'm drawing on is 334-55-5515. Now I was married twice. I'm not drawing on my own social security number as I never worked long enough. I only had 8 quarters so which of my two husbands I'm drawing under I don't know. I lost my youngest son in the Vietnam War. I can't tell you anymore than this cause I don't know. I never got any until I was 71 years old. If you have to know call the office in St. Cloud. Maybe they can tell you. I don't think it would be my dead son's that I'm drawing on. I only get \$398.00 a month. I keep having to draw out of my savings to keep up with all of the bills. I'm still living in my own home but I'm 86 years old and there is always repairs and I have to hire my lawn work done now and snow plowing in the winter.

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TYPE OF ACCOUNT	ACCOUNT NUMBER
Certificate of Deposit	91847
BALANCE	DATE
\$0.00	7/19/1997

Michael Jordon
Bulls Stadium
Chicago, IL

Return to:

Mary McCabe, Internal Auditor FIRST NATIONAL BANK PO Box 1163 MAPLE CITY, MN 55555

TYPE OF ACCOUNT	ACCOUNT NUMBER
Certificate of Deposit	91847

BALANCE	DATE
\$0.00	7/19/1997

Social Security Number

xxx-xx-6789

Beginning Value

\$5,000.00

Current Balance

\$0.00

Date Opened

4/16/1997

Date Closed

4/20/1997

Rate

6.000%

Interest Paid This Year

\$0.00

Maturity Date

10/16/1997

Term

6 Months

Please Report Any Discrepancy in the Space Below.

My name is _____ and I'm Mr. Jordan's attorney. I am confused by this confirmation. It's my job to help track Mr. Jordan's finances and I am not aware of Mr. Jordan investing \$5,000 with a small bank in Minnesota. It is not the typical amount or location for Mr. Jordan's investments. Please call me at my Washington, DC office at (202) 555-1234. Thank you.