

OHIO AUDITOR OF STATE KEITH FABER



From: Auditor of State's Center for Audit Excellence
To: All IPA Firms
Subject: ADAM 2019-02, Computer Controls for WebGAAP
Date: June 10, 2019

The ADAM 2019-02, Computer Controls for WebGAAP is attached.

The AOS Information Systems Audit (ISA) division performed testing of the WebGAAP system concurrent with the Service Organization Controls (SOC 1) review of the North West Ohio Computer Association, NWOCA, for the period from April 1, 2018 through March 31, 2019. The Web GAAP software is owned by the AOS; however, it was developed by and is maintained by staff at NWOCA. This memo applies to audits of Web GAAP compilations for audit periods ending 12/31/18 and 06/30/19.

The ADAM provides an overview of WebGAAP and describes the scope of ISA's testing.

Please review this ADAM at your earliest convenience. Questions regarding the nature and extent of ISA's procedures can be directed to the Assistant Chief Auditor of ISA, Maria Jackson, at MJackson@ohioauditor.gov and all other questions relating to this memo can be directed to the Center for Audit Excellence.



OHIO AUDITOR OF STATE
KEITH FABER

AUDIT DIVISION ADVISORY MEMO 2019-02

To: Audit Division Staff, Office Managers

From: Maria Jackson, Asst. Chief Auditor, Information Systems Audit (ISA)

Date: June 5, 2019

Subject: Computer Controls for Web GAAP

ISA performed testing of the Web GAAP system concurrent with the Service Organization Control (SOC 1) review of the Northwest Ohio Computer Association (NWOCA) for the period from April 1, 2018 through March 31, 2019. The Web GAAP software is owned by the AOS; however, it was developed by and is maintained by staff at NWOCA. This memo applies to audits of Web GAAP compilations for audit periods ending 12/31/18 and 06/30/19.

Web GAAP Application Overview

Web GAAP is a web-based application that resides on servers at the NWOCA. It is a stand-alone application used by Ohio schools, counties, cities and other governmental entities to convert from cash basis accounting to modified and full accrual for GAAP reporting requirements. The application was originally designed to assist school districts and/or their GAAP converters in preparing GAAP-based financial statements according to the GAAP reporting requirements. The Web GAAP application consists of a program to upload cash basis data from a client-generated file, a journal entry system, trial balance calculation (i.e., posting GAAP conversion journal entries), and reports. The financial statement GAAP conversion structure is defined by the Auditor of State LGS section. Each entity type uses a different chart of accounts: school, county, or city. In addition, users have a limited ability to customize some of the aesthetics for an entity's reports.

ISA's procedures provide assurance for certain trial balance procedures listed in the AOS Specimen Audit Program, *Financial Statements - Other*:

- Auditors can be assured that Web GAAP generated reports will properly reflect all cash transactions, once uploaded. The attached User Control Consideration (UCC) describes a method for our auditors to compare total (i.e., all funds') cash postings for school consortia entities. However, these procedures will not work for counties, cities, or other non-consortia school districts. Audit staff must develop other procedures to help assure

there are no errors when “non-school” entities upload cash transactions into Web GAAP. Because of the inherent consistency IT processing provides, this testing for “non-school” entities need not be extensive. However, audit staff should trace totals, and certain funds’ account totals from the “non-school” entity’s cash system into the Web GAAP system.

- Auditors can also be assured that Web GAAP generated reports accurately cross-foot GAAP conversion and other journal entries, and roll up fund statements into the entity wide statements. The ISA procedures can also reduce the extent of substantive testing required, in that auditors need not spend time footing and cross-footing Web GAAP generated reports. In other words, auditors need not apply “SARMAT” tests to Web GAAP reports.

Scope of ISA work

ISA tested relevant general controls using the control objectives listed in the Record of Computer Environment and Controls (RCEC). ISA also tested relevant application controls using the control objectives listed in the Record of Application Controls (RAC).

In addition, ISA obtained the cash upload file for a sample school district. For the city selected for testing, the cash data was manually entered, it was not uploaded. Using audit software, and manual procedures, ISA performed work to meet the following objectives:

1. *Confirm the cash transactions in the Web GAAP system matched the cash upload file produced by the entity. (Applicable only to the school district tested because the other entity type entered their cash transactions manually.)*
2. *Confirm the proper classification of cash transactions based on the entity’s fund classification and the transaction listing.*
3. *Confirm the Journal Entry reports footed and transactions were in balance (i.e. debits equal credits).*
4. *Confirm the Trial Balance related journal entries rolled up to the trial balances based on the same parameters used to test the cash transactions.*
5. *Confirm the cash and accrual journal entries rolled up to the respective fund level statements based on the same parameters used to test the cash transactions and trial balances.*
6. *Confirm the cash, accrual journal and governmental activity journal entries rolled up to the entity-wide statements based on the same parameters used to test the cash transactions, trial balances, and fund level statements.*
7. *Confirm the prior year ending balance sheet detail is carried forward to the current year’s prior year balance sheet when a new year is opened.*

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8. *Confirm the cash upload file produced by the school district as an option in the USAS application was a complete listing of cash transactions in USAS. (Applicable to school districts only.)*
 9. *Confirm the proper classification of cash-only transactions based on the school district's fund classification and the transaction listing as shown in the legacy cash reports. (Applicable to school districts only.)*
 10. *Confirm the 'Other' legacy cash reports, available only to school districts, summarize data as intended. (Applicable to school districts only.)*

A detailed description of the control objectives, controls tested and work performed has been organized in a familiar SOC 1 format and is available in the following shared folder:

S:_Audit\ISA XREFS\WEB GAAP

Complementary User Entity Control Consideration for Clients using USAS

The following additional testing should be performed for audits of entities using USAS (i.e., school districts, ESCs, some community schools).

- Because there is a risk the file generated from USAS could be altered or corrupted before it is uploaded into Web GAAP, auditors should compare selected USAS totals to Web GAAP uploaded totals to ensure they agree.

Include comparisons of ending fund balances because this helps ensure other line items are accurate. The subsequent pages of this document illustrate reports that may be used for this testing.

Please direct all questions regarding the nature and extent of ISA's procedures to the Assistant Chief Auditor of ISA and all other questions relating to this Memo to your consultant in the Center for Audit Excellence.