Ernst & Young FOUNDATION™

Case studies

Analytics mindset

Peach State University Hotel

Fraud

Internal controls matrix handout

Assertion	Auditing objectives	What could go wrong?	Mitigating controls	General ledger audit analytics procedures
Occurrence	Determine that the amounts reported in the financial statements represent valid dining sales transactions.	Dining sales revenue is recorded without including any meals or catering services provided.	► All dining sales transactions only originate from the credit card or cash receipts systems. ► An event contract and charge summary, which is signed by the customer, is generated for every event and reconciled with the recorded dining sales transactions.	1A – Verify that all dining sales transactions only originate from the following system sources: ► CREDIT CARD RECEIPT ► CASH RECEIPT 1B – Verify that the every dining sales transaction recorded reconciles with the cash posted.
Completeness	Verify that all of the food and catering services provided have been properly recorded as dining sales revenue.	Food and catering services are provided without being properly recorded as dining sales revenue.	► The accounting manager (Victoria Simpson) reconciles the event contract and charge summaries with the recorded dining sales transactions.	2 – Analyze the gross margin percentage trends for the dining sales by month and by customer.

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Assertion	Auditing objectives	What could go wrong?	Mitigating controls	General ledger audit analytics procedures
Accuracy	Verify that the amounts billed are at agreed-upon prices.	Products and services could be billed at the incorrect price.	▶ An event contract and charge summary, which is signed by the customer, is generated for every event and reconciled with the recorded dining sales transactions.	**3 –** Verify that every dining sales transaction recorded reconciles with the cash posted.
Cutoff	Verify that the amounts reported in the financial statements represent valid dining sales transactions for the period.	Amounts for dining sales transactions are not reported in the period in which they occurred (e.g., deposits associated with future planned events).	▶ Deposits are posted as Other Short-term Liabilities (21900). ▶ The entry date is matched with the effective date.	**4A –** Analyze the gross margin percentage trends for dining sales by month and by customer. **4B –** Identify the effective date after year-end for any dining sales transactions during the year.
Classification	Verify that all dining sales transactions are classified properly in the accounts.	Transactions that do not qualify for dining sales revenue recognition (e.g., deposits) are improperly recorded.	▶ The accounting manager (Victoria Simpson) verifies that the deposits are not recorded as revenue until the event occurs.	**5 –** Verify that the deposits for scheduled events that have not yet occurred did not result in revenue recognition, by analyzing the gross margin percentage trends for dining sales by month and by customer.

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