

Parish Internal Control Assessments

Bookstore

Rev Sept 2014

Perform the following work program if bookstore revenue is greater than ten percent of total school revenue:

- 1) Obtain copy of ledger and financial report.
 - a. Determine that bookstore revenues and expenses have been budgeted.
 - b. Determine that bookstore inventory is reflected on the balance sheet as an asset and that inventory is properly valued at Lower of Cost or Market.
 - c. Determine that bookstore financial activity is reflected on the ledger as part of school operations.
- 2) Obtain year-end physical inventory list. Determine the numerical accuracy.
- 3) Obtain cash register tapes and/or receipts used and select a representative sample.
 - a. Trace amounts per register tapes and/or receipts to bank deposit ticket and to the bank statement deposits.
 - b. Trace to general ledger posting and verify posting to proper revenue account.
- 4) Determine through inquiry the extent (number of days of the calendar year) to which bookstore sells clothing and other items subject to state sales tax. If the number of days these items are sold is thirty days or less, the bookstore sales are exempt from sales tax. If sales are not tax exempt, determine through inquiry, observation of sales tax remittances, and/or observation of sales tax reporting forms that sales tax is being charged on bookstore items and is being remitted to the Indiana Department of Revenue. Note: Organizations are exempt from sales tax on the sale of religious items (prayer books, bibles, rosaries, and religious education materials) and items sold by the bookstore that are required by the school curriculum (textbooks, workbooks, physical education clothing, etc.).
- 5) Obtain an understanding of and document the revenue cycle of the bookstore operations by tracing one sale through the system.
 - a. Determine that receipts are issued for payments received.
 - b. Determine that funds received are deposited intact.
 - c. Determine that adequate segregation of duties exist between the handling of cash and the accounting for cash.
- 6) If a separate bank account is maintained, make a recommendation to consolidate it into the main parish operating account. Also, obtain the bank reconciliation and agree to general ledger and supporting documentation.

Note: Sample sizes should be based on the number of times the control occurs:

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| - Annual controls – test 1 | - Weekly controls – test 10 |
| - Quarterly controls – test 2 | - Daily controls – test 20 |
| - Monthly controls – test 3 | - More than daily – test 30 |