

BRIEF INSTRUCTION: The Simply Soups Inc. Case

The Simply Soups Inc. case study focuses on the confirmation of cash balances, using an electronic platform. An auditor obtains the greatest assurance over management's assertion of existence of cash by confirming the reported balances directly with an external third party – the bank. Confirmation of the cash balance is important because management may have incentives or motives to misstate the cash balance in order to achieve a strong balance sheet, hide inflated revenues or improve financial ratios.

Summary:

- 1- To get the results, your inputs must be correct NO SPELLING ERRORS (Name, Account ID...)
- 2- Initiate confirmations must choose the date is December 31 of the latest year (for example if this year is 2020, then the date must be December 31, 2019).
- 3- If you get **deny**, check the deny report to find the reason, mostly is incorrect input information: Financial name, Account ID, Account name, Authorized Signer(s).
- 4- Grading:

Submissions	Points
Audit Procedure checklist – Appendix A	10
Confirmation Testing Workpaper and Memo Appendix B	20
Confirmations received	30
Bank Reconciliation Testing Summary Exhibit 2	20
Total	80

Please let me know if you have any questions.

APPENDIX A
Audit Procedure Checklist – Student Deliverable

Date	Initial	Audit Procedures
4/16/25	MW	Go to https://learn.confirmation.com , the educational platform created by Confirmation.com for the purpose of this case, and sign up as a new user.
4/16/25	MW	Watch the 3 minute narrated tutorial of the learn.confirmation.com service presented at log in and also under Help.
4/16/25	MW	Download: (1) Simply Soups Inc. Case Study (2) Support Materials (Annotated Instructional Guide for Students); (a) A step-by-step guide on how to complete the case using learn.confirmation.com ; (b) Shortcuts to assist in trouble shooting any questions that might arise as you complete the case; and (c) Relevant excerpts of technical guidance and professional standards to assist you.
4/16/25	MW	Review the video tutorials from the “Guides” section under the “Help” tab.
4/16/25	MW	Review the client prepared documents and audit workpapers (Exhibit 1-4).
4/16/25	MW	Assess the controls in place around the learn.confirmation.com service. (1) Carefully examining the SOC3 report found on <i>learn.confirmation.com</i> under the security tab. (2) Consider whether or not the details of this report address all the control objectives stipulated by the professional standards in order to rely on <i>learn.confirmation.com</i> . (3) Document your considerations and understanding of the controls obtained in the Confirmation Testing Memo. Be sure to document any additional SOC reports you may need to request in order to comply with the professional standards as well as the evidence each report would provide.
4/22/25	MW	Add Simply Soups Inc. as a new client.
4/22/25	MW	From the Bank Account Listing, add the first four cash accounts you will be confirming.
4/22/25	MW	<i>ADVANCED: Also add the last two cash accounts, one of which is Out-of-Network.</i>

4/22/25	MW	Send the Client Authorization Code request to client contact.
4/22/25	MW	Initiate first confirmations.
4/22/25	MW	Evaluate the information received and its appropriateness as persuasive audit evidence.
4/22/25	MW	As necessary, prepare and send reconfirmations or second confirmation requests.
4/22/25	MW	For reconfirmations or second requests, evaluate the information received and assess its appropriateness as persuasive audit evidence.
4/23/25	MW	Document your procedures which include: (1) Agreeing the confirmed account detail to the bank account listing on the key information summary and reconciling any differences; (2) Agreeing the confirmed balance to the reported bank balance on the bank reconciliation testing summary and reconciling any differences; and (3) Considering whether the information provided by the bank is persuasive audit evidence.
4/23/25	MW	Submit Case Study Deliverables to be reviewed by your manager: (1) Audit Procedure Checklist; (2) Confirmation Testing Workpaper and Memo (Exhibit 1) (3) Confirmations Received (export from learn.confirmation.com). (4) Bank reconciliation Testing summary (Exhibit 2)

APPENDIX B
Confirmation Testing Workpaper and Memo – Student Deliverable

Work Paper Reference: 100-3

Prepared By: Megan Ward

Date: 4/23/25

Bank Account	Reconciled Bank Balance as of 12/31/CY (per Client)	A	Confirmed Bank Balance as of 12/31/CY (per Bank)	Initial Confirmation	Action required	Second Confirmation	Issues Noted
Fifth Federal	\$508,119.33		\$508,219.33	Completed – difference between client and bank balance	Difference between bank balance per client vs. per bank – reconfirmation needed	\$508,219.33	A note was included that said, “Clerk said - Information is furnished as a matter of courtesy without a duty to do so and without responsibility, liability, or warrant expressed or implied.” In other words, they are providing this information as a favor and are not guaranteeing it is correct, and will not be held accountable if something goes wrong because of it. Reconfirmation still shows \$100 difference.
Sparkasse-Frankfurt	\$315,711.76		\$351,711.76	Completed – difference between client and bank balance	Difference between bank balance per client vs. per bank – reconfirmation needed	\$315,711.76	A note was included that said, “Sorry, transposed the numbers. Corrected balance shown above.” No further steps necessary – balance per client and per bank match.
American NorthWest Bank	\$121,987.17		\$121,987.17	Completed – no issues; line of credit noted	Confirm the line of credit	N/A	A note was included that said, “Clerk said – Simply Soups also has a line of credit.” Other steps may be needed to confirm line of credit amount and terms.
BNY Federal	\$493,154.12		\$493,154.12	Completed – no issues	N/A	N/A	No reconfirmation needed – balance per client and per bank match.
Tenth National Bank	\$321,580.29		N/A	Received paper confirmation via email from Lou Jennings, but nothing directly from bank.	N/A	N/A	Paper confirmation sent to Tenth National Bank since they do not use an electronic platform. Received an email from Lou Jennings with the paper confirmation and login information for their Tenth National account, but no response directly from bank, so amount cannot be verified.
Bank of Citizens	\$304,312.43	↓	N/A	Denied – Invalid Authorized Signer	Denial noted that Chuck Rogers is the authorized signer for the account – updated to Chuck and initiated another confirmation	\$304,312.43	Second confirmation approved with no issues – balances match.

Tickmark Legend

A - Balances were traced from Bank Reconciliation Testing Summary (WP 100-2)

To: Danielle Sitnick-Raja – Audit Manager
From: Megan Ward – Audit Staff
Date: April 23rd, 2025
Re: Simply Soups Inc. Cash Confirmations

Background – Positive Confirmations:

I audited the cash balances of Simply Soups Inc. across six different banks to verify the accuracy of the amounts shown on their bank statements. Here is what I found:

1. Five of the accounts listed Lou Jennings as the authorized signer. These were Fifth Federal, Sparkasse-Frankfurt, American NorthWest, BNY Federal, and Tenth National Bank. All are based in the U.S. except Sparkasse-Frankfurt, which is located in Frankfurt, Germany.
2. The account with Bank of Citizens had Chuck Rogers as the authorized signer.
3. Tenth National Bank is not part of the standard network used by *learn.confirmation.com*, so I had to manually create the account and send a paper confirmation since they do not use an electronic platform.

I chose to use positive confirmations when verifying the company's cash balances because they help lower detection risk. Unlike negative confirmations that only require a response if there is an issue, positive confirmations require the bank to respond regardless, which gives us stronger audit evidence. Even though negative confirmations take less time and follow-up, they are not considered as reliable. Since recipients do not have to reply unless something is wrong, there is a higher chance of issues being missed. That is why positive confirmations are preferred, even if they are more time-consuming and costly.

Throughout the process, I applied professional skepticism. I reviewed all responses carefully, confirmed that each financial institution was legitimate, and made sure no unauthorized parties interfered.

Use of Third-Party Intermediary:

During the audit of Simply Soups Inc., I used *learn.confirmation.com* to verify the cash balances reported on the company's bank statements. There are a few key reasons why I went with electronic confirmations:

1. They are efficient.
2. Third-party platforms help securely send information to banks and confirm who is actually responding, which adds a layer of fraud protection.
3. Electronic confirmations usually get a response within a day, which gives auditors more flexibility to adjust their procedures based on risk, as outlined in SAS No. 99 and more recently in SAS No. 145.

Even though third parties make the confirmation process easier, it is still important for auditors to remember that a signed response does not automatically count as reliable audit evidence. Unless there is enough proof that the person who signed is legitimate, the confirmation cannot really be trusted. As such, auditors might need to take a closer look at the third party's controls to decide how much they can rely on the confirmation.

To make sure strong security and data protections standards are in place, *learn.confirmation.com* undergoes SOC 1, SOC 2, and SOC 3 certifications every six months. As part of my audit's security assessment, I should ask *learn.confirmation.com* for copies of those certifications. To get a better idea of any risks in the system that could affect Simply Soups' financials, I should also request a SOC1 report as well.

Conclusion:

Out of the six cash confirmation requests sent:

- The confirmation from BNY Federal was completed without any problems.
- For Fifth Federal, a second request had to be sent, as the balance confirmed by the bank was \$100 higher than the client's recorded balance. Although the second confirmation matched the bank's initial response, a note from the clerk stated that the information was provided as a courtesy without any guarantees that it was correct, and that they could not be held responsible for any issues it might cause. Since there is still an unexplained difference, additional audit procedures should be done to resolve the discrepancy, like reviewing year-end transactions or getting supporting documentation from the bank.
- For Sparkasse-Frankfurt, a second request also had to be sent. The first confirmation came back with a balance of \$351,711.76, which did not match the client's bank balance amount. After following up, the corrected amount was confirmed at \$315,711.76, which matched the client's records. The initial difference was due to a transposition error, as noted by the bank, so the evidence was still considered valid and no further steps were needed.
- The confirmation for American NorthWest noted that Simply Soups has a line of credit with the bank, but I was not able to verify the amount. As such, I may need to perform additional processes to confirm the details and terms of the credit line.
- Since Tenth National Bank is not set up for electronic confirmations, I had to send a paper request. I received an email from Lou Jennings that included the paper confirmation, which she claimed was sent to her directly from the bank. Lou's email also gave me a link to the bank's website along with a username and password for account access. However, audit guidelines say that confirmations should come directly from the financial institution. In this case, since I did not receive a direct response from the bank, it will be treated as an exception. I recommend performing additional audit procedures to review the account further and verify the balance.
- For the Bank of Citizens account, Chuck Rogers is listed as the authorized signer. To verify this, I will need to perform other procedures to confirm both that he is authorized and understand why Lou Jennings is not the signer on this particular account.

Overall, using *learn.confirmation.com* made the confirmation process faster and more secure. The quick responses and user-friendly site helped me complete this part of the audit more accurately and timely.

EXHIBIT 1
Trial Balance

Work Paper Reference: 100-4
Prepared By W. Downey (Intern)
1/7/20CY+1

6:40 PM
1/7/20CY+1

Simply Soups Inc.
177 Washington Lane, Cherry Hill, NJ 08034
609-555-5555
Trial Balance
As of December 31, 20CY

PBC

	Debit	Credit
<u>Cash - Acct. 10000</u>		
Fifth Federal	478,921.54	A
Sparkasse-Frankfurt	235,087.29	
American NorthWest Bank	144,019.83	
BNY Federal	477,832.15	
Tenth National Bank	301,015.18	
Bank of Citizens	348,710.60	
	1,985,586.59	

Accounts Receivable - Acct. 11000

Tick Legend

A

The sum of this balance was agreed into the Balance
Sheet without exception, W. Downey (Intern)

PBC

Prepared by client

EXHIBIT 2
Bank Reconciliation Testing Summary

Work Paper Reference: 100-2
Prepared By: DRH (Audit Associate)
1/10/20CY+

Bank Rec Testing Summary
Simply Soups Inc.
As of December 31, 20CY

Account	Bank Balance 12/31/CY	A	Reconciling Items	B	Book Balance 12/31/CY	TB	Notes
Fifth Federal	\$508,119.33		29,197.79		478,921.54		Per the bank, balance is \$508,219.33 as of 12/31/20CY.
Sparkasse-Frankfurt	\$315,711.76		80,624.47		235,087.29		
American NorthWest Bank	\$121,987.17		(22,032.66)		144,019.83		Book balance higher than bank balance – additional procedures recommended to verify amounts.
BNY Federal	\$493,154.12		15,321.97		477,832.15		
Tenth National Bank	\$321,580.29		20,565.11		301,015.18		
Bank of Citizens	\$304,312.43		(44,398.17)		348,710.60		Book balance higher than bank balance – additional procedures recommended to verify amounts.

Tick Legend

A Agreed to 12/31/20CY Bank Statements without exception

B Reconciling items were tested without exception, see Bank Test Documentation (Audit Step 100-3)

TB Agreed to 12/31/20CY Trial Balance without exception

EXHIBIT 4
Key Information for the audit step “Confirm Cash Balances”

Audit Firm:	Putnam and Jacobs LLP	
Year End Date:	December 31, 20CY	
Client Address:	177 Washington Lane	Cherry Hill, NJ 08034
Client Phone Number:	609-555-5555	
Client Contacts:	Lou Jennings	Lou.jennings@ssoups.com
	Chuck Rogers	Chuck.rogers@ssoups.com

Bank Accounts – 20CY

PBC

Bank Name	Bank Address	Bank Manager	Account Name	Account Number(s)	Authorized Signer
Fifth Federal	73 Union Street New York NY 10001	George Williams	Checking	675-42223	Lou Jennings
Sparkasse-Frankfurt	Landstrasse 89-21 Frankfurt 60326 DE	Helga Jones	Checking	44-322711	Lou Jennings
American NorthWest Bank	234 Market Street Milwaukee WI 53202	Richard Johnson	Checking	05-198305	Lou Jennings
BNY Federal	3621 Ave De Lafayette Boston MA 02111	Betty Smith	Savings	061-22031	Lou Jennings
Tenth National Bank	313 S. Chadwick Street Philadelphia PA 19103	Greg Fordham	Savings	26-798422	Lou Jennings
Bank of Citizens	3621 Union Ave Denver CO 80220	Denise Bentley	Checking	89-123661	Lou Jennings

Tick Legend

PBC Prepared by Client