

June 30, 2018

AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives: A. Plan and document planning of audit. B. Consider Single Audit implications. C. Determine preliminary planning materiality. D. Consider the effect on financial statements of non-compliance with laws and regulations. E. Perform risk assessment procedures and assess risk of material misstatement of the financial statements. F. Determine audit approach. Audit Procedures: A. Job number _____ B. Assigned staff: _____ Independent? _____ Manager _____ Incharge _____ Staff _____ _____ _____ _____ _____ C. Timing: <div style="display: flex; justify-content: space-around;"> <div></div> <div><u>Planned Date</u></div> <div><u>Actual Date</u></div> </div> Begin fieldwork _____ Complete fieldwork _____ To Manager _____ College Contact Name: _____ Telephone: _____ Email: _____ D. Obtain and file the engagement letter. (AU-C 210.09)					
	A				
	A				

COMMUNITY COLLEGE 2018 Audit Programs

June 30, 2018

AUDIT PLANNING

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<p>E. If prior year audit was performed by another firm (AU-C 510):</p> <ol style="list-style-type: none"> 1. Obtain and review a copy of the Independent Auditor's Reports on the financial statements, compliance and internal control. 2. Obtain copies of appropriate workpapers. 3. Make the appropriate inquiries of the predecessor auditor. 4. Review and document, as necessary, evidence of opening balances. 5. Firm: _____ Contact Person: _____ Telephone: _____ 	A				
<p>F. Review prior year audit report, planning memorandum and other working papers.</p> <ol style="list-style-type: none"> 1. Note any departures from an unmodified opinion. 2. Note any specific areas of comment in the prior audit report. Determine if appropriate corrective action was taken and document current status. 3. Note any areas of special emphasis recommended for this year's audit by the prior auditor. 4. Note items for next year's audit in the prior year's workpapers and document in the current year workpapers how these items were addressed. 5. Note any non-report comments affecting this year's audit and document the status of the non-report comments.. 	A,B,E				
<p>G. Inquire as to the existence of findings and recommendations from any previous audits, attestation engagements, performance audits, or other studies (for example – Federal audits, program audits, IT (information technology) audits, reviews by state agencies, etc.) that have been performed and determine the current status of any findings or recommendations identified that may directly affect the risk assessment and audit procedures in planning the current audit. (GAS Chapter 4.05 and AU-C 935.16)</p>					

COMMUNITY COLLEGE 2018 Audit Programs

June 30, 2018

AUDIT PLANNING

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H. Review permanent file, determine status of the following and update as necessary: <ol style="list-style-type: none"> 1. Identification of the financial reporting entity and compliance with GASB 14, as amended by GASB 39, 61 and 80. <ol style="list-style-type: none"> a. Identify the primary government. b. Identify and document consideration of component units. c. For an entity identified which is not incorporated, determine if the entity is an unincorporated nonprofit association pursuant to Chapter 501B of the Code of Iowa and report accordingly. d. Identify and document relationships with organizations other than component units. 2. Nature of business and legal environment. 3. Applicable state and federal regulations. 4. Administrative and accounting personnel. 5. As applicable, federal program personnel. 6. Organization chart. 7. Chart of accounts and accounting manual. 8. Use of outside service organizations. 9. Use(s) of information technology (IT) systems. 10. Methods used to process significant accounting information. 11. Long-term leases, contracts and commitments. 12. List of officials and terms. 	A,B,F				
I. Conduct entrance conference. Discuss and document pertinent information.	A,B				
J. Request the College assemble all necessary information, records and documents.	A,B,F				
K. Determine if there are any audit issuance deadlines included in the continuing disclosures required under SEC Rule 15c2-12. If applicable, review the debt filings on the Electronic Municipal Market Access (EMMA) System (www.emma.msrb.org).					

COMMUNITY COLLEGE 2018 Audit Programs

June 30, 2018

AUDIT PLANNING

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<p>L. Determine if the engagement is an audit of group financial statements. If applicable, follow the guidance in AU-C 600, including, but not limited to:</p> <ol style="list-style-type: none"> 1. Identifying components. 2. Developing an overall audit strategy and audit plan for the group audit. 3. Gaining an understanding of the group and its components and environments, including understanding: <ol style="list-style-type: none"> a. Group-wide controls. b. The consolidation process. 4. Determining if components are considered significant, either individually financially significant or likely to include significant risks to the group financial statements. 5. Gaining an understanding of component auditors. 6. Deciding if the audit report will refer to the component auditor's work. 7. Determining materiality levels for the group financial statements as a whole and component materiality levels. 8. Applying further audit procedures to the consolidation process. 9. Subsequent events occurring between the dates of the financial information of the components and the date of the auditor's report on the group financial statements. 10. Communicating the group auditor requirements to the component auditor. 11. Evaluating the sufficiency and appropriateness of audit evidence obtained. 12. Communicating with group management and those charged with governance of the group. 	A,C,E,F				
<p>M. Determine the extent of involvement, if any, of consultants, specialists or internal auditors. Where applicable, follow the appropriate guidance:</p> <ol style="list-style-type: none"> 1. AU-C 610 "Auditor's Consideration of the Internal Audit Function". 	A				

COMMUNITY COLLEGE 2018 Audit Programs

June 30, 2018

AUDIT PLANNING

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<p>2. Auditor's Specialist (AU-C 300.12, AU-C 620 and <u>Government Auditing Standards</u>, Chapters 6.42-.44) - Consider whether specialized skills, including professionals possessing information technology (IT) skills, are needed in performing the audit and seek such assistance if considered necessary.</p> <p>3. Management's Specialist (AU-C 500.08) - Include appropriate statement in the management representation letter. Examples of the use of a specialist include:</p> <p>a. An actuary used to determine incurred but not reported (IBNR) claims for a self-insurance fund.</p> <p>b. An actuary used to determine amounts for other postemployment benefits (OPEB).</p> <p>N. Inquire about related party transactions.</p> <p>O. Minutes:</p> <p>1. Review minutes through most recent meeting and document significant Board action, including subsequent events.</p> <p>2. Determine and document if minutes were signed.</p> <p>3. Determine, on a test basis, if meetings were preceded by proper notice in accordance with Chapter 21.4 of the Code of Iowa.</p> <p>4. Determine if minutes document the Board followed proper proceedings for any closed sessions in accordance with Chapter 21.5 of the Code of Iowa.</p> <p>a. The session was closed by affirmative roll call vote of at least two-thirds of the members.</p> <p>b. The specific exemption under Chapter 21.5 of the Code of Iowa was identified and documented.</p> <p>c. Final action was taken in open session.</p> <p>5. Determine if the minutes show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.</p> <p>6. Look for Board approval or mention of contracts or agreements having 28E characteristics. Then refer to the 28E subsection in the "Audit Planning" section of audit program.</p> <p>P. Obtain copy of College's June 30 financial statements/ reports.</p>	<p>A,F</p> <p>A,E,F</p> <p>A</p>				

COMMUNITY COLLEGE 2018 Audit Programs

June 30, 2018

AUDIT PLANNING

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Q. Document compliance with <u>Government Auditing Standards</u> conceptual framework for nonaudit services, if any.	A				
R. Determine if the College was a party to a government combination (merger or acquisition) or had a disposal of operations. If applicable, determine if activity is properly disclosed and reported in accordance with GASB 69.					
S. Discuss with the engagement team the significance of threats to management participation or self-review and emphasize the risks associated with those threats.					
T. 28E Organizations:					
1. Determine if the College was a member of a Chapter 28E organization of the Code of Iowa with gross receipts in excess of \$100,000 in a fiscal year.					
2. If so, determine if arrangements have been made for an audit of the 28E organization in accordance with Chapter 11.6 of the Code of Iowa.	B,C				
3. Review the College's policies and procedures for entering into 28E contracts or agreements.					
4. Inquire of College officials if any 28E contracts or agreements were entered into during the current fiscal year.					
U. Determine and document judgments about materiality levels by opinion units (AAG-SLV 4.23). If done at interim, update materiality levels as of year end.					
1. Opinion units in the College's basic financial statements are (as applicable):					
a. By each major fund.	A,E,F				
b. By governmental or business type activities.					
c. Aggregate remaining fund information.					
d. Discretely presented component units.					
e. Transaction class, account balance or disclosure, if necessary. (AU-C 320.14)					
2. Materiality level for each major federal program. If done at interim, update materiality levels as of year end.	A,E,F				
V. Apply preliminary analytical procedures.					
1. Compare current year information to information with a plausible relationship.					
2. Identify expectations and document basis of expectations.					

COMMUNITY COLLEGE 2018 Audit Programs

June 30, 2018

AUDIT PLANNING

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3. Identify unusual or unexpected balances or relationships.					
4. Determine if matters identified indicate a higher risk of material misstatement due to fraud. If higher risk is indicated, adjust audit approach accordingly.					
W. Prepare all necessary confirmation requests for mailing.					
X. Send attorney's letter to attorneys and other lawyers consulted on significant matters during the period. Send the letter early during field work with a requested response date one week prior to estimated completion of field work.					
Y. Determine and document an audit strategy based on determination of audit risk (AU-C 240, AU-C 315.26-.27, AU-C 320 and AU-C 935.20).	A,B,E,F				
Z. Internal Control:					
1. Obtain and document an understanding of the internal controls, including those relating to overall compliance	A,B,D,E, F				
a. Determine and document whether these internal controls have been implemented.					
b. Assess control risk for relevant financial statement assertions related to each significant account balance or transaction class, including those relating to overall compliance with laws and regulations having a direct and material effect on the financial statements.					
1) Identify those financial statement assertions for which tests of controls need to be performed and design and perform the appropriate tests of controls.					
2) Document conclusions concerning the assessed level of control risk for the assertions in the working papers.					
c. Obtain and document an understanding of any department's separately maintained records if they are of a significant amount and outside the normal transaction cycle.					

COMMUNITY COLLEGE 2018 Audit Programs

June 30, 2018

AUDIT PLANNING

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<p>d. If the College uses a service organization to process transactions for the College (i.e. payroll processing, bank trust department that invests and holds assets for employee benefit plans, organizations that develop, provide and maintain software for user organizations, organizations that provide data storage, etc.), follow AU-C 402 and perform the following:</p> <ol style="list-style-type: none"> 1) Document the effect the service organization has on the internal controls of the College (user organization), related control risk assessments, and the availability of evidence to perform substantive procedures. 2) Determine if the College's agreement with the service organization includes a requirement for completion of service report(s). 3) Obtain the service organization's service auditor's report(s). Evaluate the following: the competence and independence of the service auditor, the adequacy of the standards under which the report was issued, and the sufficiency and appropriateness of the report for obtaining an understanding of controls relevant to the audit. <p>e. Obtain and document an understanding of the College's credit card collections and compliance with PCI (Payment Card Industry) Data Security Standards.</p> <ol style="list-style-type: none"> 1) Determine credit card security policies have been documented and established. 2) Determine self-assessment measures have been completed. <p>f. Obtain and document an understanding of the internal audit function to determine whether the internal audit function is likely to be relevant to the audit. (AU-C 315.24)</p> <p>2. Major federal programs:</p> <ol style="list-style-type: none"> a. Obtain and document an understanding of the internal controls relevant to the compliance requirements applicable to all major federal programs. b. Determine and document whether these controls have been implemented. 					

COMMUNITY COLLEGE 2018 Audit Programs

June 30, 2018

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<ul style="list-style-type: none"> c. Assess control risk. (The auditor should plan for a low level of control risk). d. Perform tests of controls over each major program, regardless of whether or not choosing to obtain evidence to support an assessment of control risk below maximum. e. Include lack of or ineffective controls as significant deficiencies or material weaknesses in the report on the internal control. <p>3. If steps Z(1) and Z(2) are done at interim, determine if tests of controls and assessments of control risk can be extended to year end:</p> <ul style="list-style-type: none"> a. Apply the following procedures for the internal control work done: <ul style="list-style-type: none"> 1) Ask whether there have been any changes to internal controls, including federal controls, since interim. Also consider whether any changes are apparent from substantive (or other) tests done after interim. 2) Consider the significance of any changes. 3) Obtain audit evidence about the nature and extent of any changes. b. If considered necessary based on the above procedures, perform additional tests of controls and update risk assessments. <p>AA. Document the auditor's consideration of the risk of material misstatement due to abuse. If indications of abuse exist, plan audit procedures to determine whether abuse has occurred and the effect on the financial statements. (GAS Chapter 6.34)</p> <p>BB. Consideration of compliance with laws and regulations (GAS Chapter 6.28, AU-C 250.12, AU-C 250.14)</p> <ul style="list-style-type: none"> 1. Identify and obtain an understanding of the legal and regulatory framework applicable to the College and how the College is complying with the framework. 2. Identify possible instances of noncompliance with laws and regulations that may have a material effect on the financial statements: <ul style="list-style-type: none"> a. Inquire of management and, when appropriate, those charged with governance, about whether the College is in compliance with such laws and regulations. 	<p>A,D,F</p> <p>E</p> <p>D</p>				

COMMUNITY COLLEGE 2018 Audit Programs

June 30, 2018

AUDIT PLANNING

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<p>b. Inspect correspondence, if any, with relevant licensing or regulatory authorities.</p> <p>CC. Consideration of the College's ability to continue as a going concern. (SAS 132)</p> <p>1. Determine if any conditions or events, considered in the aggregate, exist that may cause substantial doubt about the College's ability to continue as a going concern.</p> <p>2. Determine if management has performed an evaluation of whether any such conditions or events exist.</p> <p>a. If an evaluation was completed, discuss it with management including the College's plans to address these conditions or events.</p> <p>b. If an evaluation was not completed, discuss with management whether they are aware of any such conditions or events.</p> <p>DD. Modify/expand on audit program guide, as necessary. The program should be responsive to the critical audit areas and other areas of concern noted in the audit planning, the analytical procedures performed on the financial statements and the understanding obtained of the College's internal controls.</p> <p>EE. Immediately contact the Manager if fraud or embezzlement is suspected. Ensure the appropriate officials are notified after contacting the Manager. Chapter 11.6 of the Code of Iowa requires a CPA firm and the College to notify the Auditor of State immediately regarding any suspected embezzlement, theft or other significant financial irregularities. If federal funds are involved, the appropriate U.S. Regional Inspector General should be notified.</p> <p>FF. Prepare audit time budget.</p> <p>GG. Discuss planning phase with the Manager and document conclusions.</p>	<p>A,F</p> <p>A</p>				

June 30, 2018

AUDIT PLANNING

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