

MENTAL HEALTH REGION 2018 Audit Programs

June 30, 2018

CAPITAL ASSETS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>Audit Objectives and Related Assertions:</p> <p>A. Capital assets represent a complete and valid listing of the capitalizable cost of assets purchased, constructed or leased by the Region and are physically on hand. (1,2,3,4)</p> <p>B. "Additions" or capital expenditures represent a complete and valid listing of the capitalizable cost of the property and equipment acquired during the year. (1,2,3,4)</p> <p>C. "Deletions" of capitalized costs and, if applicable, related depreciation/amortization associated with all sold, abandoned, damaged or obsolete capital assets have been removed from the accounts. (1,2,3,4)</p> <p>D. Depreciation/amortization and the related allowance account has been computed on an acceptable basis consistent with that used in the prior year. (4,7)</p> <p>E. Capital expenses and capital assets are properly classified by fund or type of activity in the financial statements and related disclosures are adequate. (10,11,12,13)</p> <p>Audit Procedures:</p> <p>A. Obtain a reconciliation of capital asset activity for the fiscal year.</p> <p>B. Document the capitalization policy for each class of asset.</p> <p>C. Trace a selection of additions to list of assets.</p> <ol style="list-style-type: none"> 1. Determine major additions were authorized by the governing body. 2. Determine classification as an asset, rather than repair and maintenance expense, is consistent with policy. 3. Observe existence of the capital asset addition. 4. If capital asset additions were not included in the expenditure test population, examine invoices and other supporting documentation, for each tested addition. 5. For reporting: <ol style="list-style-type: none"> a) Obtain the Region's reconciliation of additions to the related expenses. Prepare the journal entry to eliminate additions from expenses. 					

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b) Determine the amount of revenue to be recorded as contributions from other governments for the addition of capital assets acquired through purchases made by other governments. 1) Analyze the capital projects payments to determine the completeness of capital asset additions and discuss with Region management whether uncapitalized payments should be reclassified to repair and maintenance. 2) For construction in progress, determine and document the status at year-end. D. Deletions 1. Trace to supporting documentation. 2. Trace to authorization. 3. Trace proceeds to cash receipts journal 4. Determine the gain/loss on disposal of capital assets. E. Trace a selection of capital assets to physical existence: 1. Select items to trace from the listing to the actual asset 2. Select items to trace from the actual asset to the listing F. Foot additions, deletions and the capital asset listing. G. For depreciation/amortization: 1. Document depreciation/amortization policy and useful lives used by each class of asset. 2. Determine if depreciation/amortization methods and useful lives are consistently applied. 3. Verify mathematical accuracy. 4. Test computation of depreciation/amortization expense and extension of accumulated depreciation/amortization. 5. Evaluate whether the remaining useful lives of assets are reasonable based on normal operations.					

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<p>H. Determine the Region recorded intangible assets in accordance with GASB 51. Examples of intangible assets include computer software, easements, land use rights, patents, trademarks and copyrights.</p> <p>1. For internally generated intangible assets, determine only outlays related to the development of the asset incurred <u>subsequent</u> to meeting <u>all</u> of the following criteria were capitalized:</p> <p style="padding-left: 40px;">a) Determination of the specific objective of the project and nature of the service capacity expected.</p> <p style="padding-left: 40px;">b) Demonstration of technical or technological feasibility for completing the project.</p> <p style="padding-left: 40px;">c) Demonstration of the current intention, ability and presence of effort to complete or continue development of the asset.</p> <p style="padding-left: 40px;">(Outlays incurred prior to meeting the above criteria should be expensed.)</p> <p>2. For internally generated computer software, determine outlays are expensed or capitalized based on the nature of the activity:</p> <p style="padding-left: 40px;">a) Preliminary project stage outlays are expensed.</p> <p style="padding-left: 40px;">b) Application and development stage outlays are capitalized but cease no later than when the computer software is complete and operational.</p> <p style="padding-left: 40px;">c) Post implementation/operation stage outlays are expensed.</p> <p>3. Analyze useful lives of intangible assets and test the amount of amortization applied to the assets.</p> <p style="padding-left: 40px;">a) Verify the useful life does not exceed contractual or legal provisions of the intangible asset.</p> <p style="padding-left: 40px;">b) Determine intangible assets with indefinite useful lives were not amortized.</p> <p>I. Analyze equipment leases to determine if they meet the criteria in GASB Codification Section L20</p> <p>J. If an impairment of capital assets exists under GASB 42 criteria.</p> <p style="padding-left: 40px;">1. Determine appropriate adjustments were made to the asset valuation.</p> <p style="padding-left: 40px;">2. Determine required disclosures were included for capital asset impairments.</p>					

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