

**ENTITY**    2023 Audit Programs

June 30, 2023

**COMMUNITY COLLEGE – CAPITAL ASSETS**

<b>PROCEDURE</b>	<b>OBJ.</b>	<b>DONE BY</b>	<b>W/P REF</b>	<b>N/A</b>	<b>REMARKS</b>
<b>Audit Objectives and Related Assertions:</b>					
<b>A. Capital assets represent a complete and valid listing of the capitalizable cost of assets purchased, constructed or leased by the Community College and the capital assets are physically on hand. (1,2,3,4)</b>					
<b>B. “Additions” or capital expenditures represent a complete and valid listing of the capitalizable cost of the property and equipment acquired during the period. (1,2,3,4)</b>					
<b>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)</b>					
<b>D. Depreciation/amortization and the related allowance account has been compared on an acceptable basis consistent with the prior year. (4,7)</b>					
<b>E. Capital expenditures and capital assets are properly classified in the financial statements and related disclosures are adequate. (10,11,12,13)</b>					
<b>Audit Procedures:</b>					
A. Reconcile supporting records with ledger amounts for each class of capital assets.	A				
B. Obtain or prepare a schedule analyzing and reconciling the beginning balances, acquisitions (by fund), dispositions and ending balances for each class of capital assets and check clerical accuracy.	E				
C. Review insurance coverage for any assets not included on the asset listing.					
D. For acquisitions (which can include purchases, gifts and donations, self-constructed assets and progress billings):					
1. Reconcile acquisitions to capital outlay expenditure balances for all funds.	B				
2. Trace selected acquisitions to purchase orders, invoices, receiving reports, contracts, etc. to determine (if not tested elsewhere):	B				
a. Expenditures recorded in proper period.					
b. Classified correctly by fund, account and budget.					

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<ul style="list-style-type: none"> <li>c. Amount recorded includes all capitalizable costs for the asset.</li> <li>d. Acquisition was properly authorized in accordance with the stated policies of the College.</li> <li>e. For purchases with federal funds, determine allowability and proper recording.</li> </ul>					
3. Document whether the College capitalizes interest on capital assets. Determine disclosure needed.					
4. For major additions to the land or building accounts:	B				
<ul style="list-style-type: none"> <li>a. Examine the deed, title policy, the closing statement and similar documents to establish ownership.</li> <li>b. Determine whether land acquisitions are in compliance with Chapter 260C.35 of the Code of Iowa.</li> <li>c. Examine progress billings, if applicable.</li> <li>d. Determine sites and buildings acquired, erected or remodeled were approved by the Board in accordance with Chapter 260C.57 of the Code of Iowa.</li> </ul>					
5. For self-constructed items:	B				
<ul style="list-style-type: none"> <li>a. Review for proper authorization.</li> <li>b. Examine appropriate supporting documentation such as work orders, job status reports, etc.</li> <li>c. Determine labor, overhead, material and interim construction interest are included in cost.</li> <li>d. If extensive, consider need for additional procedures.</li> </ul>					
6. For gifts and donations, determine or review method of valuation.					
E. If an impairment of capital assets exists under GASB 42 criteria:	C,E				
<ul style="list-style-type: none"> <li>1. Determine appropriate adjustments were made to the asset valuation.</li> <li>2. Determine required disclosures were included for capital asset impairments.</li> </ul>					

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<p>3. Determine insurance recoveries on impaired assets were properly recorded.</p> <p>F. For retirements/deletions of capital assets (sale, trade-in, scrapping, lost, destruction):</p> <p>1. Trace selected dispositions to supporting data for:</p> <p>a. Proper authorization.</p> <p>b. Reduction of asset account.</p> <p>c. Appropriate recording of assets acquired with trade-ins.</p> <p>d. Compliance with Chapter 260C.35 of the Code of Iowa for property sold.</p> <p>2. Consider need for additional procedures.</p> <p>G. Depreciation</p> <p>1. Document depreciation policy and useful lives used by each class of asset.</p> <p>2. Determine if depreciation methods and useful lives are consistently applied.</p> <p>3. Test reasonableness of the current year depreciation by analytical procedures or, if considered necessary, by recomputing depreciation on selected assets.</p> <p>4. Evaluate whether the remaining useful lives of assets are reasonable based on normal operations.</p> <p>5. If depreciation schedule is prepared by auditor, determine independence has not been impaired.</p> <p>H. Determine the College 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 are capitalized:</p> <p>a. Determination of the specific objective of the project and nature of the service capacity expected.</p> <p>b. Demonstration of technical or technological feasibility for completing the project.</p>	<p>C</p> <p>D</p> <p>A,B,C, D,E</p>				

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<ul style="list-style-type: none"> <li>c. Demonstration of the current intention, ability and presence of effort to complete or continue development of the asset.  (Outlays incurred prior to meeting the above criteria should be expensed.)</li> <li>2. For internally generated computer software, determine outlays are expensed or capitalized based on the nature of the activity: <ul style="list-style-type: none"> <li>a. preliminary project stage outlays are expensed.</li> <li>b. application and development stage outlays are capitalized but cease no later than when the computer software is complete and operational.</li> <li>c. post implementation/operation stage outlays are expensed.</li> </ul> </li> <li>3. Analyze useful lives of intangible assets and test the amount of amortization applied to the assets. <ul style="list-style-type: none"> <li>a. Verify the useful life does not exceed contractual or legal provisions of the intangible asset.</li> <li>b. Determine intangible assets with indefinite useful lives were not amortized.</li> </ul> </li> <li>I. Determine the College has complied with GASB 60 for any service concession arrangements.</li> <li>J. Library materials – test valuation of library materials.</li> <li>K. Leases <ul style="list-style-type: none"> <li>1. Review lease agreements to ascertain whether the related assets have been correctly capitalized (per GASB Codification, Section L20).</li> <li>2. Determine whether lease agreements for space were entered into in compliance with Chapter 260C.38 of the Code of Iowa.</li> <li>3. Obtain lists of all potential leasing arrangements identified by the Entity. <ul style="list-style-type: none"> <li>a. Obtain supporting documentation for the arrangements including contracts and any subsequent modifications to contracts.</li> <li>b. Document management's conclusion regarding whether arrangement contains a lease.</li> </ul> </li> </ul> </li> </ul>	A,B				

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<ul style="list-style-type: none"> <li>c. Identify key terms from each leasing arrangement.</li> <li>d. Document discount rate selected for initial measurement.</li> <li>e. Review management's calculations and document conclusions on status of lease agreements.</li> </ul> <p>4. Prepare journal entries to record asset and amortization.</p> <p>5. For all significant leases, perform the following procedures:</p> <ul style="list-style-type: none"> <li>a. Obtain an analysis of lease contracts separated by class of asset, if appropriate, including those that exited at the end of the prior year and any new lease contracts, showing the balance of lease assets and lease liabilities at the beginning and end of the period, and the related amortization and interest expense.</li> <li>b. Test the clerical accuracy of the analysis. Trace the opening balances to the adjusted prior year working trial balance and the ending balances to current year working trial balances. Review any reconciliation to the general ledger and investigate any unusual reconciling items.</li> <li>c. Compare and document balances in the lease liability accounts and related interest expense with those of prior years or other expectations.</li> <li>d. Compare and document balances in the lease asset accounts and the related amortization with those of prior years or other expectations.</li> <li>e. Investigate any unexpected results considering known changes in client operations.</li> </ul> <p>6. For any leases that were not tested in a prior audit or were significantly modified in the current period, perform the following:</p>					

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<ul style="list-style-type: none"> <li>a. Determine that the contract contains a lease as defined in GASBS No. 87 and that the governmental unit has identified the separate lease components and non-lease components, if any, within each contract and has allocated consideration in the contracts to each separate component of the contract.</li> <li>b. Consider whether to confirm significant lease obligations and related lease provisions.</li> </ul> <p>7. Inquire about whether any major sales of capital assets were sale-leaseback transactions. If so, determine the propriety of accounting for those transactions.</p> <p>8. Evaluate whether any modifications to the lease during the period are appropriately accounted for as changes to an existing lease contract or as a separate lease contract and any other circumstances have occurred that require the lessee to remeasure the lease liability.</p> <p>L. Subscription Based Information Technology Arrangements (SBITA) and Public Private Partnerships (P3). Examples include but are not limited to: accounting software, Microsoft Office 365, GIS mapping. P3 – toll roads, toll bridges, golf courses, bussing systems:</p> <ul style="list-style-type: none"> <li>1. Obtain lists of all potential agreements identified by the College as of the adoption date of GASBS No. 94 and 96. <ul style="list-style-type: none"> <li>a. Obtain supporting documentation for the arrangements including contracts and any subsequent modifications to contracts.</li> <li>b. Document management's conclusion regarding whether arrangement contains a SBITA or P3.</li> <li>c. Identify key terms from each SBITAs or P3.</li> <li>d. Document how discount rate was selected for initial measurement.</li> <li>e. Review management's calculations and document conclusions on status of SBITA or P3.</li> </ul> </li> <li>2. Prepare journal entries to record asset and amortization.</li> </ul>					

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<p>3. For all significant agreements, perform the following procedures:</p> <p>a. Obtain an analysis of the agreements including those that existed at the end of the prior year and any new agreements, showing the balance of assets and liabilities at the beginning and end of the period, and the related amortization and interest expense.</p> <p>b. Test the clerical accuracy of the analysis. Trace the opening balances to the adjusted prior year working trial balance and the ending balances to current year working trial balances. Review any reconciliation to the general ledger and investigate any unusual reconciling items.</p> <p>c. Compare and document balances in the liability accounts and the related interest expense with those of prior years or other expectations.</p> <p>d. Compare and document balances in the asset accounts and the related amortization with those of prior years or other expectations.</p> <p>e. Investigate any unexpected results considering known changes in client operations.</p> <p>4. For any agreements that were not tested in a prior audit or were significantly modified in the current period, perform the following:</p> <p>a. Determine that the contract contains a SBITA or P3 as defined in GASBS No. 94 or 96 and that the governmental unit has identified the separate components and non-components, if any, within each contract and has allocated consideration in the contracts to each separate component of the contract.</p> <p>b. Consider whether to confirm significant obligations and related provisions.</p> <p>5. Determine that agreements have been appropriately classified as a SBITA or P3 and the initial measurement of the assets and liabilities and other financing sources and expenditures, if applicable, are in accordance with GASBS No. 94 and 96.</p>					

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6. Evaluate whether any modifications to the agreements during the period are appropriately accounted for as changes to an existing SBITA or P3 or as a separate SBITA or P3 and any other circumstances have occurred that require the agreement to remeasure the liability.					
M. Determine if the College has taken a physical inventory of capital assets.					
1. If so, inspect a copy.					
2. Tour the College's physical facilities and determine extent of testing to be performed.					
3. Physically observe capital assets selected.	A				
4. In addition, select assets while touring facilities and trace to listings of assets.	A				
N. Determine if risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					
O. Determine whether capital assets are properly classified and related disclosures are adequate.	E				
<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<u>CONCLUSION:</u>					
We have performed procedures sufficient to achieve the audit objectives for capital assets and the results of these procedures are adequately documented in the accompanying work papers.					