

AGENCY 2023 Audit Programs

June 30, 2023

LONG-TERM LIABILITIES/DEBT

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<p>Audit Objectives and Related Assertions:</p> <p>A. Debt is authorized, supported and represents an Agency obligation. (1,2)</p> <p>B. All indebtedness of the Agency is identified, recorded and disclosed. (3,11)</p> <p>C. Debt is recorded in the proper fund at the proper amount. (4)</p> <p>D. Related disbursements or expenditures (including principal and interest) and debt proceeds are properly recorded and classified. (4,5,6,7,8,9)</p> <p>E. Debt and related restrictions, guarantees and commitments are properly presented in the financial statements and related disclosures are adequate. (10,11,12,13)</p> <p>Audit Procedures:</p> <p>A. Obtain or prepare a schedule of long-term liabilities.</p> <p>1. Liabilities may include:</p> <p>a. Anticipatory warrants.</p> <p>b. Equipment purchase agreements/ /leases.</p> <p>c. Installment purchase contracts.</p> <p>d. Subscription-based information technology arrangements (SBITA).</p> <p>e. Public Private Partnerships (P3).</p> <p>d. Judgments and claims.</p> <p>e. Compensated absences:</p> <p>1) portion due within one year.</p> <p>2) portion due after one year.</p> <p>f. Termination benefits.</p> <p>g. OPEB and pension benefits.</p> <p>h. Nonexchange financial guarantees.</p> <p>i. Other (list):</p>	A,B				

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2. Determine the reasonableness of the amounts recorded.	C				
3. Confirm debt outstanding at the end of the fiscal year.					
B. Leases or Financing Arrangements:					
1. Review lease and financing arrangements.	A				
2. Identify leases according to the criteria in GASB Codification, Section L20.	E				
3. Obtain a general description of the leasing arrangements, including but not limited to:					
a. General description of lease arrangement.					
b. Basis, terms and conditions on which variable payments that are not included in the measurement of the lease liability are determined.					
c. Existence, terms and conditions of the lessee provide residual value guarantees that are not included in the measurement of the lease liability.					
4. For separately issued financial statements determine initial proceeds were properly recorded as an other financing source and a disbursement/expenditure was recorded in the proper expenditure account.					
5. Recognized resources reported during the period include:					
a. Variable payments not previously included in the measurement of the lease liabilities.					
b. Other payments, such as residual value guarantees, termination penalties, not previously included in the measurement of the lease liability.					
6. Obtain or prepare summary of payments for leases and financing arrangements for the next five years and thereafter.	E				

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<p>7. Compare summaries to agreements.</p> <p>8. Disclosures appropriately made including:</p> <ul style="list-style-type: none"> a. Commitments under leases prior to commencement of the lease term. b. Impairment-related loss components. c. Nature and extent of leasing transactions with related parties. d. Sublease arrangements, sale-leaseback transactions and lease-leaseback transactions. <p>9. Reconcile to payment schedule.</p> <p>10. Determine if the Treasurer of State entered into financing arrangements for personal property acquired by the Agency (Chapter 12.28 of the Code of Iowa).</p> <p>11. Determine any lease for real property is not renewed by the Agency and the lease is not in excess of 10 years after acquisition. In addition, the lease is not to be maintained if the lessee, at time of acquisition, ceases to occupy the leased property per Chapter 8A.321 of the Code of Iowa.</p> <p>12. Determine the Agency properly notified and reported quarterly to the Legislative Services Agency regarding contracts involving financing arrangements in which any part or the total amount is at least \$50,000 as provided in Chapter 8.46 of the Code of Iowa.</p> <p>C. Subscription-Based Information Technology Arrangements (SBITA) and Public Private Partnerships (P3). Examples include but not limited to: accounting software, Microsoft Office 365. P3 – toll roads, toll bridges, golf courses, bussing systems.</p> <ul style="list-style-type: none"> 1. Review arrangements. 2. Obtain a general description of the arrangements, including but not limited to: <ul style="list-style-type: none"> a. General description of the arrangement. b. Basis, terms and conditions on which variable payments that are not included in the measurement of the liability are determined. 					

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<p>c. Existence, terms and conditions of agreements provided residual value guarantees that are not included in the measurement of the liability.</p> <p>3. For separately issued financial statements, determine initial proceeds were properly recorded as an other financing source and a disbursement/expenditure was recorded in the proper expenditure account.</p> <p>4. Recognized resources reported during the period include:</p> <p>a. Variable payments not previously included in the measurement of the liability.</p> <p>b. Other payments, such as residual value guarantees, termination penalties, not previously included in the measurement of the liability.</p> <p>5. Obtain or prepare summary of payments for SBITAs and P3 arrangements for the next five years and thereafter.</p> <p>6. Compare summaries to agreements.</p> <p>7. Reconcile to payment schedule.</p> <p>8. Disclosures appropriately made including:</p> <p>a. Commitments under agreements prior to commencement of the term.</p> <p>b. Impairment-related loss components.</p> <p>c. Nature and extent of agreement transactions with related parties.</p> <p>D. Judgments and Claims:</p> <p>1. Obtain a listing of judgments against the Agency.</p> <p>2. Trace to supporting documentation.</p> <p>3. Determine if judgments/claims were paid out of the proper fund.</p> <p>E. Compensated Absences: (Steps 1 through 6 are performed on a statewide basis for agencies on I/3 and included in the ACFR. The following steps should be performed if the Agency issues separate financial statements or does not utilize I/3.)</p>	A,B,D				

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<ul style="list-style-type: none"> a. Matured termination benefits not paid at year-end for governmental funds. b. Long-term debt: <ul style="list-style-type: none"> 1) Due within one year. 2) Due after one year. 					
4. Select a number of eligible employees under the plan to determine if: <ul style="list-style-type: none"> a. The employees meet the requirements noted in the policy. b. The employees were properly approved for participation in the plan. c. The current year expense and liability were properly calculated as of year-end. 	A,B,C,D				
5. Inquire of Agency personnel about other eligible employees not included in the list.	B				
6. Prepare the necessary footnote disclosure, including: <ul style="list-style-type: none"> a. A general description of the termination benefit arrangements, including, but not limited to: <ul style="list-style-type: none"> 1) Information about the type(s) of benefits provided. 2) The number of employees affected. 3) The period of time over which benefits are expected to be provided. b. The costs of termination benefits in the period in which the Agency becomes obligated if the information is not otherwise identifiable from the disclosures on the face of the financial statements. c. The significant methods and assumptions used to determine the termination benefit liabilities and expenses. 	E				
G. Postemployment Benefits (PEB) including: <ul style="list-style-type: none"> - OPEB (GASB 74/75) - Pensions other than IPERS (GASB 73) - Pension Benefits/Retirement Income (GASB 68) 					

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<ul style="list-style-type: none"> - Sick leave dollars converted to healthcare (GASB 16/47/75) - Termination Benefits (GASB 47) <ol style="list-style-type: none"> 1. Obtain copies of personnel policies, employment contracts, union agreements, employee handbook, retirement plans, etc. to gain an understanding of the Agency's PEB agreements/plans and plan membership. 2. If the Agency has postemployment benefit plans requiring actuarial calculations (excluding IPERS), perform the following: <ol style="list-style-type: none"> a. Obtain a copy of and file the following: <ol style="list-style-type: none"> 1) Plan document(s), including copies of amendments, if any, considered in preparing the actuarial valuation report. 2) Latest actuarial valuation report. (Note: annual or biennial actuary valuation is required.) 3) Census and plan asset data provided to the actuary. b. Determine whether the scope and objectives of the work performed by the actuary are appropriate by reviewing the latest plan documents and compare with key provisions included in the actuarial valuation report. If the report does not include a description of key plan provisions, it may be necessary to confirm the actuary's understanding of such provisions. c. Perform tests of census data provided to the actuary: <ol style="list-style-type: none"> 1) Reconcile aggregate census data, such as the number of employees and covered compensation, to amounts shown in the actuarial valuation report or the actuary's letter. 2) Check selected census data (age, sex, marital status, current pay, term of employment, etc.) to payroll records. Document the items tested. 	A,B				
	C				

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<p>3) Based on plan documents, make appropriate tests to determine whether all eligible employees are included in the census data provided to the actuary.</p> <p>d. Methods and assumptions used by the actuary:</p> <p>1) Obtain an understanding of the methods and assumptions used by the actuary. NOTE: Understanding may be obtained through review of the actuarial valuation report. If basis for methods and assumptions is not clear in the report, consider the need to contact the actuary for clarification.</p> <p>2) Review for reasonableness the assumptions used by actuary to determine PEB liabilities, including performing a comparison of the assumptions used with those in preceding periods (e.g. turnover, retirement age, mortality, disability, projected salary increases, inflation rate, medical trend data, investment return). (Include/update documentation of assumptions in the permanent file for trend analysis).</p> <p>e. Inquire of the Agency as to any intent to terminate the plan.</p> <p>3. If the alternative measurement method was used, perform similar procedures as identified in step 2. (Note: Method is allowed for plans with total membership of less than 100.)</p> <p>4. Determine the appropriate amounts for the total OPEB liability, OPEB expense and deferred outflows/inflows of resources.</p> <p>5. Determine completeness and appropriateness of pension liabilities as follows:</p> <p>a. Evaluate and document whether the plan auditor's report and schedule are adequate and appropriate.</p> <p>b. Evaluate whether the plan auditor has the necessary competence and independence.</p> <p>c. Recalculate Agency employer contribution amounts, the allocation percentage and the collective pension amounts allocated to the Agency base on the allocation percentage.</p>					
	C				
	C,E				

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6. Determine the accounting and reporting are in accordance with applicable standards for each of the following: <ul style="list-style-type: none"> • Governmental Activities • Business Type Activities • Enterprise Funds • Discretely Presented Component Units 	C,D,E				
7. Determine disclosures and required supplementary information are made in accordance with the applicable standards.	E				
H. Pollution Remediation Obligation:					
1. For contaminated or polluted sites, determine if an obligating event has occurred requiring the Agency to include a liability for a pollution remediation obligation in accordance with GASB 49.	A,B				
2. Determine the measurement and presentation of the liability and expense was made in accordance with GASB 49.	C,D,E				
3. Determine any insurance or other recoveries are properly reported in accordance with GASB 49 as: <ul style="list-style-type: none"> a. reduction of the liability and expense for unrealized recoveries. b. an asset and a reduction of the expense for realized recoveries. 	C,D,E				
4. Determine the appropriate disclosures are included in accordance with GASB 49.	E				
I. Asset Retirement Obligations					
1. Determine if the agency has legal obligations to perform future asset retirement activities related to its retirement of tangible capital assets in accordance with GASB 83.	A,B,C				
2. Determine the measurement and presentation of the liability and corresponding deferred outflow was made in accordance with GASB 83.	B,D,E				
3. Determine the appropriate disclosures are included in accordance with GASB 83.	E				

