AOS 83-8 (6/23)

AGENCY 2023 Audit Programs

June 30, 2023 **CAPITAL ASSETS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives:					
A. Property and equipment and infrastructure represent a complete and valid listing of the capitalizable cost of assets purchased, constructed or leased and are physically on hand. (1,2,3,4)					
B. "Additions" or capital expenditures represent a complete and valid listing of the capitalizable cost of the property and equipment and infrastructure acquired during the period. (1,2,3,4)					
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)					
D. Depreciation/amortization and the related allowance account have been computed on an acceptable basis consistent with the prior year. (4,7)					
E. Capital expenditures and capital assets are properly classified by fund type in the government-wide financial statements and related disclosures are adequate. (10,11,12,13)					
F. A gain or loss is properly calculated when capital assets are sold or disposed of and reported in the Statement of Activities. (7)					
Audit Procedures:					
A. Obtain or prepare a summary of capital asset changes and balances by asset type along with schedules of additions and retirements.					
B. Determine detail records are in agreement with the summary.	A				
C. Document the capitalization policy for each class of asset.					
D. Current year additions:	B				
1. Review schedules of additions and consider examination of supporting documentation for items not included in substantive test of expenditures.					
2. Obtain the Agency's reconciliation of additions to related expenditures. If not available, perform a reconciliation. (Note: If donated assets are received, a related revenue may need to be recorded for reporting on the government-wide basis.)					

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3. Determine major additions were properly authorized.					
4. By analysis, determine if repair and maintenance accounts include any items properly classifiable as capital assets.					
5. Observe existence of selected additions.					
6. For construction in progress, determine status at year-end.					
E. Deletions:	C				
1. Trace to supporting documentation.					
2. Trace to authorization.					
3. Review or prepare calculation of gain or loss by subtracting the net book value (historical cost less any accumulated depreciation) from the net amount realized on the sale or disposal.	F				
F. Existence:	A				
1. Observe existence and condition of capital assets during office and field visits, inventory observations, etc.					
2. Consider necessity for additional testing of records to actual assets allowing for accuracy of Agency's detail records, Agency's inventories taken, etc.					
3. Observe physical safeguards.					
4. Test compliance with Chapter 7A.30 of the Code of Iowa, "Inventory of State Property."					
a. Trace a sample of items from the detail records to actual assets.					
b. Trace a sample of actual assets to detail records.					
G. If an impairment of capital assets exists under GASB 42 criteria:	C,E				
1. Determine appropriate adjustments were made to the asset valuation.					
2. Determine required disclosures were included for capital asset impairments.					
3. Determine insurance recoveries on impaired assets were properly recorded.					

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H. Depreciation:	D				
1. Determine if depreciation methods and useful lives are consistently applied.					
2. Test reasonableness of the current year depreciation by analytical procedures or, if considered necessary, by recomputing depreciation on selected assets.					
3. Evaluate whether the remaining useful lives of assets are reasonable and if the net carrying values of property are recoverable in the ordinary course of operations.					
4. If the depreciation schedule is prepared by the auditor, determine independence has not been impaired.					
I. Determine the Agency recorded intangible assets in accordance with GASB 51. Examples of intangible assets include computer software, easements, land use rights, patents, trademarks and copyrights.					
1. For internally generated intangible assets, determine only outlays related to the development of the asset incurred subsequent to meeting all of the following criteria were capitalized:					
a. Determination of the specific objective of the project and nature of the service capacity expected.					
b. Demonstration of technical or technological feasibility for completing the project.					
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)					
2. For internally generated computer software, determine outlays are expensed or capitalized based on the nature of the activity:					
a. Preliminary project stage outlays are expensed.					
b. Application and development stage outlays are capitalized but cease no later than when the computer software is complete and operational.					

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c. Post implementation/operation stage outlays are expensed.					
3. Analyze useful lives of intangible assets and test the amount of amortization applied to the assets.					
a. Verify the useful life does not exceed contractual or legal provisions of the intangible asset.					
b. Determine intangible assets with indefinite useful lives were not amortized.					
J. Determine the Agency has complied with GASB 60 for any service concession arrangements.					
K. Leases:					
1. Obtain lists of all potential leasing arrangements identified by the Entity.					
a. Obtain supporting documentation for the arrangements including contracts and any subsequent modifications to contracts.					
b. Document management's conclusion regarding whether arrangement contains a lease.					
c. Identify key terms from each leasing arrangement.					
d. Document discount rate selected for initial measurement					
e. Review management's calculations and document conclusions on status of lease agreements.					
2. Prepare journal entries to record asset and amortization.					
3. For all significant leases, perform the following procedures:					
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.					

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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.					
c. Compare and document balances in the lease liability accounts and related interest expense with those of prior years or other expectations.					
d. Compare and document balances in the lease asset accounts and the related amortization with those of prior years or other expectations.					
e. Investigate any unexpected results considering known changes in client operations.					
4. For any leases that were not tested in a prior audit or were significantly modified in the current period, perform the following:					
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.					
b. Consider whether to confirm significant lease obligations and related lease provisions.					
5. Determine that leases have been appropriately classified as a lease or a financed purchase and the initial measurement of the lease assets and lease liabilities and other financing sources and expenditures, if applicable are in accordance with GASBS No. 87.					
6. Inquire about whether any major sales of capital assets were sale-leaseback transactions. If so, determine the propriety of accounting for those transactions.					

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7. 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.					
L. 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:					
1. Obtain lists of all potential agreements identified by the Agency as of the adoption date of GASBS No. 94 and 96.					
a. Obtain supporting documentation for the arrangements including contracts and any subsequent modifications to contracts.					
b. Document management's conclusion regarding whether arrangement contains a SBITA or P3.					
c. Identify key terms from each SBITA or P3.					
d. Document how discount rate selected for initial measurement.					
e. Review management's calculations and document conclusions on status of SBITAs or P3.					
2. Prepare journal entries to record asset and amortization.					
3. For all significant agreements, perform the following procedures:					
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 amortizations and interest expense.					
b. Test the clerical accuracy of the analysis. Trace the opening balances to the adjusted prior year working trial balances and the ending balances to current year working trial balances. Review any reconciliation to the general ledger and investigate any unusual reconciling items.					

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c. Compare and document balances in the liability accounts and related interest expense with those or prior years or other expectations.					
d. Compare and document balances in the asset accounts and the related amortization with those of prior years or other expectations.					
e. Investigate any unexpected results considering known changes in client operations.					
4. For any agreements that were not tested in a prior audit or were significantly modified in the current period, perform the following:					
a. Determine that the contract contains a SBITA or P3 as defined in GASBS No. 94 or 96 and that the Agency 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.					
b. Consider whether to confirm significant obligations and related provisions.					
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.					
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. If applicable, record State Vehicle Dispatcher activity in the Working Trial Balances (Memo is provided by ACFR audit Incharge.)					
N. Determine if the 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 disclosures are adequate.	E				

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ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION:					
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.					