

ENTITY 2019 Audit Programs

June 30, 2019

AUDIT PLANNING

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS											
<p>Audit Objectives:</p> <p>A. Perform and document audit planning.</p> <p>B. Consider Single Audit implications.</p> <p>C. Determine preliminary planning materiality.</p> <p>D. Consider the effect on financial statements of non-compliance with laws and regulations.</p> <p>E. Perform risk assessment procedures and assess the risk of material misstatement of the financial statements.</p> <p>F. Determine audit approach.</p> <p>Audit Procedures:</p> <p>A. Job number _____</p> <p>B. Assigned staff: _____ Independent? _____</p> <p>Manager _____</p> <p>Incharge _____</p> <p>Staff _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>C. Timing:</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="width: 20%; text-align: center; border-bottom: 1px solid black;">Planned Date</th> <th style="width: 20%; text-align: center; border-bottom: 1px solid black;">Actual Date</th> </tr> </thead> <tbody> <tr> <td>Begin fieldwork</td> <td style="border-bottom: 1px solid black;"></td> <td style="border-bottom: 1px solid black;"></td> </tr> <tr> <td>Complete fieldwork</td> <td style="border-bottom: 1px solid black;"></td> <td style="border-bottom: 1px solid black;"></td> </tr> <tr> <td>To Manager</td> <td style="border-bottom: 1px solid black;"></td> <td style="border-bottom: 1px solid black;"></td> </tr> </tbody> </table> <p>D. Obtain and file the engagement letter. (AU-C 210.09)</p> <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. 		Planned Date	Actual Date	Begin fieldwork			Complete fieldwork			To Manager			<p>A</p> <p>A</p> <p>A</p>			
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<p>4. Review and document, as necessary, evidence of opening balances.</p> <p>5. Firm: _____ Contact Person: _____ Telephone: _____</p>					
<p>F. Review prior year audit report and workpapers. If applicable:</p> <p>1. Note any departures from an unmodified opinion.</p> <p>2. Note any report comments in the prior year's audit report and document the current status.</p> <p>3. Note any non-report comments that may affect this year's audit and document the current status.</p> <p>4. Note items for next year's audit in the prior year's workpapers and any areas of special emphasis recommended for this year's audit by the prior auditor. Document in the current year workpapers how these items are being addressed.</p>	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 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>					
<p>H. Review permanent file and determine status of the following and update as necessary:</p> <p>1. Identification of the financial reporting entity and compliance with GASB 14, as amended by GASB 39, 61 and 80.</p> <p>a. Identify the primary government.</p> <p>b. Identify and document consideration of component units.</p> <p>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.</p> <p>d. Identify and document relationships with organizations other than component units.</p>	A,B,F				

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2. Nature of Entity’s 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 IT (Information Technology) systems. 10. Methods used to process significant accounting information. 11. Long-term leases, contracts and commitments. 12. List of officials and terms. I. Conduct entrance conference(s). Discuss and document pertinent information. J. Request that the Entity assemble all necessary information, records and documents. K. Determine if there are any audit issuance deadlines included in the continuing disclosures as required under SEC Rule 15c2-12. If applicable, review the debt filings on the Electronic Municipal Market Access (EMMA) System (www.emma.msrb.org). 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: 1. Identifying components. 2. Developing an overall audit strategy and audit plan for the group audit. 3. Gaining an understanding of the group, its components and environments, including understanding: 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.					
	A,B				
	A,B,F				
	A,C,E,F				

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<ul style="list-style-type: none"> 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. 					
<p>M. Determine the extent of involvement, if any, of consultants, specialists or internal auditors. Where applicable, follow the appropriate guidance:</p> <ul style="list-style-type: none"> 1. AU-C 610 “Auditor’s Consideration of the Internal Audit Function”. 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. 3. Management’s Specialist (AU-C 500.08) - Include appropriate statement in the management representation letter. Examples of the use of a specialist include: <ul style="list-style-type: none"> a. An engineer or environmental consultant used to estimate the remaining useful life or estimated closure and postclosure care costs of a municipal solid waste landfill (MSWLF). b. An actuary used to determine incurred but not reported (IBNR) claims for a self-insurance fund. c. An actuary used to determine amounts for other postemployment benefits (OPEB). 	A				
<p>N. Inquire about related party transactions.</p>	A,F				

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<p>O. Obtain a copy of the Entity’s June 30 financial statements/reports. (Examples of financial statements/reports include: Certified Annual Report (CAR) for Community School Districts and Area Education Agencies and Annual Financial Report (AFR) for Counties and Cities.)</p>	A				
<p>P. Minutes:</p> <ol style="list-style-type: none"> 1. Review minutes of the governing body through the most recent meeting and document significant action, including subsequent events. (Examples include: County Board of Supervisors, City Council and other outside Boards including, but not limited to, the following: Local Board of Health, Conservation, Compensation, Veteran’s Affairs Commission, City Library Board and City Park Board). 2. Determine and document whether minutes were properly signed. 	A,E,F				
<p>Q. Determine if the Entity 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.</p>					
<p>R. Document compliance with <u>Government Auditing Standards</u> conceptual framework for nonaudit services, if any.</p>					
<p>S. Discuss with the engagement team the significance of threats to management participation or self-review and emphasize the risks associated with those threats.</p>					
<p>T. Determine if the Entity is a fiscal agent for any separate Boards or Chapter 28E entities. Determine if they are properly disclosed and reported. Perform the necessary GASB 14, as amended by GASB 39, 61 and 80, reviews.</p> <p>If the Entity is a fiscal agent for an Early Childhood Iowa Area Board, see the procedures included in the “Early Childhood Iowa Area Board” audit program section.</p> <p>U. Inquire if the Entity was a member of any organizations established under Code of Iowa Chapter 28E with gross receipts in excess of \$100,000 in the fiscal year. Determine if arrangements have been made for an audit of the 28E Entity in accordance with Chapter 11.6 of the Code of Iowa. See the procedures included in the “28E Entities” audit program section.</p>					

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<p>V. Determine and document judgments about materiality levels by opinion units (AAG-SLV 4.23). If done at interim, update materiality levels as of the balance sheet/net position date.</p> <p>1. Opinion units in an Entity’s basic financial statements are (as applicable):</p> <p style="padding-left: 20px;">a. Governmental and business type activities.</p> <p style="padding-left: 20px;">b. Each major governmental and proprietary fund.</p> <p style="padding-left: 20px;">c. Aggregate remaining fund information (nonmajor governmental and enterprise funds, internal service funds and fiduciary fund types).</p> <p style="padding-left: 20px;">d. Aggregate discretely presented component units.</p> <p style="padding-left: 20px;">e. Transaction class, account balance or disclosure, if necessary. (AU-C 320.14)</p> <p>2. Materiality level for each major federal program.</p>	B,C				
<p>W. Apply preliminary analytical procedures.</p> <p>1. Compare current year information to information with a plausible relationship.</p> <p>2. Identify expectations and document basis of expectations.</p> <p>3. Identify unusual or unexpected balances or relationships.</p> <p>4. Determine and document if matters identified indicate a higher risk of material misstatement due to fraud. If a higher risk is indicated, adjust audit approach accordingly.</p> <p>X. Determine completeness and accuracy of books and records by footing, crossfooting and tracing postings from journals as necessary. Include all subsidiary detail systems.</p> <p>Y. Prepare all necessary confirmation requests for mailing.</p> <p>Z. Send attorney letters to Entity attorneys and other lawyers consulted on significant matters during the period.</p>	A,E,F				
<p>AA. 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).</p>	A,B,E,F				

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<p>BB. Internal Control:</p> <ol style="list-style-type: none"> 1. Obtain and document an understanding of the internal controls, including those relating to overall compliance with laws and regulations. <ol style="list-style-type: none"> a. Determine and document whether these internal controls have been implemented. b. Assess control risk for financial statement assertions related to each significant account balance or transaction class, including those relating to overall compliance with laws and regulations that have a direct and material effect on the financial statements. <ol style="list-style-type: none"> 1) Identify those financial statement assertions for which tests of controls need to be performed and design the appropriate tests of controls. 2) Document conclusions in workpapers concerning the assessed level of control risk for the assertions. c. Obtain and document an understanding of any separately maintained records if they are of a significant amount and outside the normal transaction cycle. d. If the Entity uses a service organization to process transactions for the Entity (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: <ol style="list-style-type: none"> 1) Document the effect the service organization has on the internal controls of the Entity (user organization), related control risk assessments and the availability of evidence to perform substantive procedures. 2) Determine if the Entity's agreement with the service organization includes a requirement for completion of service report(s). 	<p>A,B,D E,F</p>				

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<p>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> <p>e. Obtain and document an understanding of the Entity’s credit card collections and compliance with PCI (Payment Card Industry) Data Security Standards.</p> <p> 1) Determine credit card security policies have been documented and established.</p> <p> 2) Determine self-assessment measures have been completed.</p> <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> <p> a. Obtain and document an understanding of the internal controls relevant to the compliance requirements applicable to all major federal programs.</p> <p> b. Determine and document whether these controls have been implemented.</p> <p> c. Assess control risk. (The auditor should plan for a low level of control risk).</p> <p> 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).</p> <p> e. Include lack of or ineffective control procedures as significant deficiencies or material weaknesses in the report on internal control.</p>					

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<p>3. If steps BB (1) and (2) are done at interim, determine if tests of controls and assessments of control risk can be extended to the balance sheet/net position date:</p> <p>a. Apply the following procedures for the internal control work done:</p> <ol style="list-style-type: none"> 1) Ask whether there have been any changes to internal controls, including federal controls, since interim date. Also consider whether any changes are apparent from substantive (or other) tests done after interim date. 2) Consider the significance of any changes. 3) Obtain audit evidence about the nature and extent of any changes. <p>b. If considered necessary based on the above procedures, perform additional tests of controls and update risk assessments.</p> <p>CC. Determine the major funds for the governmental and enterprise funds. Funds are considered major funds if they meet both the criteria for the same element. (GASB 34 par. 76) Note: For cash basis entities use total assets (cash and investments), receipts or disbursements.</p> <ol style="list-style-type: none"> 1. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues/receipts or disbursements/expenditures/expenses of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type. 2. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues/receipts or disbursements/expenditures/expenses of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and proprietary funds combined. 3. Review with management whether additional discretionary funds should be included as major funds. 					

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<p>DD. Consideration of compliance with laws and regulations. (AU-C 250.12, AU-C 250.14)</p> <ol style="list-style-type: none"> 1. Identify and obtain an understanding of the legal and regulatory framework applicable to the Entity and how the Entity 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: <ol style="list-style-type: none"> a. Inquire of management and, when appropriate, those charged with governance, about whether the Entity is in compliance with such laws and regulations. b. Inspect correspondence, if any, with relevant licensing or regulatory authorities. 	D				
<p>EE. Consideration of the Entity’s ability to continue as a going concern. (SAS 132)</p> <ol style="list-style-type: none"> 1. Determine if any conditions or events, considered in the aggregate, exist that may cause substantial doubt about the Entity’s ability to continue as a going concern. 2. Determine if management has performed an evaluation of whether any such conditions or events exist. <ol style="list-style-type: none"> a. If an evaluation was completed, discuss it with management, including the Entity’s plans to address these conditions or events. b. If an evaluation was not completed, discuss with management whether they are aware of any such conditions or events. 					
<p>FF. 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 4.08)</p>	E				
<p>GG. Modify/expand on standard 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 Entity’s internal controls.</p>	A,F				

