

ENTITY 2019 Audit Programs

June 30, 2019

HOSPITAL - CAPITAL ASSETS

| PROCEDURE | OBJ. | DONE BY | W/P REF | N/A | REMARKS |
|---|------|---------|---------|-----|---------|
| Audit Objectives and Related Assertions: | | | | | |
| A. Capital assets represent a complete and valid listing of the capitalizable cost of assets purchased, constructed or leased by the Hospital and the capital assets 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 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 has been computed on an acceptable basis consistent with that used in the prior year. (4,7) | | | | | |
| E. Capital expenditures and capital assets are properly classified in the financial statements and related disclosures are adequate. (10,11,12,13) | | | | | |
| Audit Procedures: | | | | | |
| A. Obtain or prepare a summary schedule of capital assets showing beginning balances, additions, retirements and other changes and ending balances and reconcile to supporting schedules. | | | | | |
| B. Examine records for additions, including dates, vendor, description, new or used, life, depreciation method and cost and investment credit. Vouch additions to underlying supporting documents. | | B | | | |
| C. Physically inspect major additions or inspect tax bills, licenses, deeds or other documents for major additions. | | B | | | |
| D. Determine if capital assets have been recorded at cost or estimated cost and review any historical cost-based appraisals for propriety. | | A | | | |
| E. Review Hospital's capitalization policies and determine the books and records are consistent with such policies. | | | | | |

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| <p>5. Determine if the Hospital uses accelerated depreciation for cost reimbursement purposes and a different method for financial statement purposes. The effect of this difference should be reported as a deferred item in the balance sheet.</p> <p>6. If depreciation schedule is prepared by auditor, determine independence has not been impaired.</p> <p>N. Determine the Hospital 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 an asset incurred subsequent to meeting all of the following criteria were capitalized:</p> <p style="margin-left: 20px;">a. Determination of the specific objective of the project and nature of the service capacity expected.</p> <p style="margin-left: 20px;">b. Demonstration of technical or technological feasibility for completing the project.</p> <p style="margin-left: 20px;">c. Demonstration of the current intention, ability and presence of effort to complete or continue development of the asset.</p> <p style="margin-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="margin-left: 20px;">a. Preliminary project stage outlays are expensed.</p> <p style="margin-left: 20px;">b. Application and development stage outlays are capitalized but cease no later than when the computer software is complete and operational.</p> <p style="margin-left: 20px;">c. Post implementation/operation stage outlays are expensed.</p> | <p>A,B,C ,D,E</p> | | | | |

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| <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>O. Determine the Hospital has complied with GASB 60 for any service concession arrangements.</p> <p>P. If the Hospital has access to the use of plant facilities under arrangements other than outright ownership, inquire into and disclose the nature of such relationships.</p> <p>Q. Determine capital assets not used for Hospital operations are reported separately from the unrestricted funds.</p> <p>R. Determine if any capital assets are pledged or restricted.</p> <p>S. For applicable additions to capital assets, determine compliance with the Department of Public Health Certificate of Need requirements described in Chapters 135.61 to 135.65 of the Code of Iowa.</p> <p>T. 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> <p style="padding-left: 40px;">3. Determine insurance recoveries on impaired assets were properly recorded.</p> <p>U. 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.</p> <p>V. Determine whether capital assets are properly classified and disclosures are adequate.</p> | <p>E</p> <p>E</p> <p>E</p> <p>C,E</p> <p>D</p> | | | | |

