

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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F. Compute the percentage of repair and maintenance expense to beginning investment in property and equipment and compare with prior periods.	C				
G. Review repair and maintenance accounts and, when necessary, examine supporting documents to test for capital items.					
H. Consider the relationship of capital asset deletions to acquisitions.					
I. Examine records for deletions, including acquisition and disposal dates, description, life, depreciation, sales proceeds, gain or loss, depreciation recapture and investment credit recapture and trace the proceeds to evidence of cash receipts and the cash receipts records.					
J. If applicable, determine the sale, lease, exchange or other disposal of any Hospital property was in accordance with Chapter 347.14(3) of the Code of Iowa.	A,B				
K. Compare transfers of capital assets between affiliated hospitals, out-patient clinics or between account classifications, reconcile differences and determine whether they have been properly accounted for.					
L. Review leases, rental income and expense accounts for recorded capital items. Determine whether leases have been properly recorded and accounted for.	D				
M. Obtain or prepare a schedule of depreciation allowances showing beginning balances, additions, eliminations and other changes and ending balances:					
1. Review schedule for accuracy and trace to general ledger.					
2. Consider relationship of current year's depreciation to property and equipment cost.					
3. Test computations and trace additions to expense accounts.					
4. Compare methods, rates and lives to those in previous years to determine consistency and reasonableness.					

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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>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. Demonstration of the current intention, ability and presence of effort to complete or continue development of the asset.</p> <p>(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>a. Preliminary project stage outlays are expensed.</p> <p>b. Application and development stage outlays are capitalized but cease no later than when the computer software is complete and operational.</p> <p>c. Post implementation/operation stage outlays are expensed.</p>	A,B,C ,D,E				

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<p>3. Analyze useful lives of intangible assets and test the amount of amortization applied to the assets.</p> <p>a. Verify the useful life does not exceed contractual or legal provisions of the intangible asset.</p> <p>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>1. Determine appropriate adjustments were made to the asset valuation.</p> <p>2. Determine required disclosures were included for capital asset impairments.</p> <p>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>				

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<u>ALTERNATE/ADDITIONAL PROCEDURES:</u>					
<p><u>CONCLUSION:</u></p> <p>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 workpapers.</p> <p>Incharge _____ Date _____</p> <p>Manager _____</p> <p>Independent Reviewer _____</p>					