

ENTITY 2019 Audit Programs

June 30, 2019

CAPITAL ASSETS
**(Complete for all entities except
Community Colleges and Hospitals)**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
<p>A. Capital assets represent a complete and valid listing of the capitalizable cost of assets purchased, constructed or leased by the Entity and the capital assets are physically on hand. (1,2,3,4)</p> <p>B. "Additions" or capital expenditures represent a complete and valid listing of the capitalizable cost of the property, equipment and infrastructure acquired during the period. (1,2,3,4)</p> <p>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)</p> <p>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)</p> <p>E. Capital expenditures and capital assets are properly classified in the financial statements and related disclosures are adequate. (10,11,12,13)</p>					
Audit Procedure:					
<p>A. Obtain a reconciliation of capital asset activity and, if the Entity is a County, the County Engineer's infrastructure reports for the year.</p> <p>B. Document the capitalization policy for each class of asset.</p> <p>C. Additions:</p> <ol style="list-style-type: none"> 1. Trace capital asset additions to supporting documentation. 2. Determine that addition was properly approved. 3. Determine that classification as an asset, rather than repair and maintenance expense, is consistent with Entity policy. 4. Determine that addition meets the capitalization threshold. 5. Determine the asset was recorded to the appropriate expenditure function. 6. Observe existence of the capital asset addition. 					
	B				

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
7. Search for unrecorded capital asset and infrastructure additions by reviewing expenditure activity, Board/Council minutes and farm-to-market reports, where applicable. Trace additions identified to the disbursements/expenditures/expenses journal.					
8. For gifts and donations, determine or review the method of valuation.					
9. Determine the amount of revenue to be recorded as contributions from other governments for the addition of capital assets acquired through expenditures made by other governments.					
10. Analyze the capital projects payments to determine the completeness of capital asset additions and discuss with the Entity whether uncapitalized payments should be reclassified to repair and maintenance.					
11. For construction in progress, determine and document the status at year-end.					
D. Deletions:	C				
1. Trace to supporting documentation.					
2. Trace to authorization. If applicable, trace to the approval in the minutes.					
3. Trace proceeds to receipt/revenue journal.					
4. Determine the gain/loss on disposal of capital assets.					
E. Existence and completeness of capital asset listing:	A				
1. Select items to trace from the listing to the actual asset.					
2. Select items to trace from the actual asset to the listing.					
F. Foot additions, deletions and capital asset listing.	A,B,C, D				
G. Depreciation/amortization:	D				
1. Document depreciation/amortization policy and useful lives used by each class of asset.					
2. Determine if depreciation/amortization methods and useful lives are consistently applied.					

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<p>3. Verify mathematical accuracy.</p> <p>4. Test computation of depreciation/amortization expense and extension of accumulated depreciation/amortization.</p> <p>5. Evaluate whether the remaining useful lives of assets are reasonable based on normal operations.</p> <p>6. If the depreciation/amortization schedule is prepared by the auditor, determine independence has not been impaired.</p> <p>H. Determine the Entity 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 the asset incurred subsequent to meeting all of the following criteria were capitalized:</p> <p style="padding-left: 20px;">a. Determination of the specific objective of the project and nature of the service capacity expected</p> <p style="padding-left: 20px;">b. Demonstration of technical or technological feasibility for completing the project</p> <p style="padding-left: 20px;">c. Demonstration of the current intention, ability and presence of effort to complete or continue development of the asset.</p> <p style="padding-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="padding-left: 20px;">a. preliminary project stage outlays are expensed.</p> <p style="padding-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="padding-left: 20px;">c. post implementation/operation stage outlays are expensed.</p>					

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<ul style="list-style-type: none"> 3. Analyze useful lives of intangible assets and test the amount of amortization applied to the assets. <ul style="list-style-type: none"> 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. I. Determine the Entity has complied with GASB 60 for any service concession arrangements. J. Analyze equipment leases to determine if they meet the criteria in GASB Codification, Section L20. K. If the Entity is an Area Education Agency, test the valuation of library materials. L. If capital asset records are not maintained, perform the following: <ul style="list-style-type: none"> 1. Trace approval of selected acquisitions in the minutes to the disbursements/expenditure records. 2. Trace approval of selected asset dispositions from the minutes to the receipts/revenue records. 3. Review records for unapproved acquisitions or dispositions. M. If an impairment of capital assets exists under GASB 42 criteria: <ul style="list-style-type: none"> 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. 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. 					
	A				
	A				
	B				
	C				
	B,C				
	C,E				
	E				

