AREA EDUCATION AGENCY
AUDIT PROGRAM GUIDE

For the year ended June 30, 2015

MARY MOSIMAN, CPA
AUDITOR OF STATE

AREA EDUCATION AGENCY AUDIT PROGRAM GUIDE

AREA EDUCATION AGENCY _____SAMPLE AEA_____

June 30, 2015 **FILE INDEX**

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AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **AUDIT PLANNING**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives:					
A. Plan and document planning of audit.					
B. Consider Single Audit implications.					
C. Determine preliminary planning materiality.					
D. Perform planning analytical procedures.					
E. Perform risk assessment procedures and assess risk of material misstatement of the financial statements.					
F. Determine audit approach.					
Audit Procedures:					
A. Job number _____					
B. Assigned staff: Independent?	A				
Manager _____ _____					
Incharge _____ _____					
Staff _____ _____					
_____ _____					
_____ _____					
_____ _____					
_____ _____					
_____ _____					
C. Timing:	A				
Planned Date / Actual Date					
Begin fieldwork _____ _____					
Complete fieldwork _____ _____					
To Manager _____ _____					
D. Obtain and file the engagement letter. (AU 210.09)	A				
E. If prior year audit was performed by another firm (AU 510):	A				
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.					
4. Review and document, as necessary, evidence of opening balances.					
5. Firm: _____					
Contact Person: _____					
Telephone: _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **AUDIT PLANNING**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
F. Review prior year audit report and working papers. If applicable:	A,B,E				
1. Note any departures from an unmodified opinion.					
2. Note any specific areas of comment in the prior audit report. Determine if appropriate corrective action was taken and document current status.					
3. Note any areas of special emphasis recommended for this year's audit by the prior auditor.					
4. Note items for next year's audit in prior year workpapers. Document in current year workpapers and address.					
5. Note any non-report comments that may affect this year's audit.					
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 (information technology) 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 935.16)	A				
H. Review permanent file and determine status of the following and update as necessary:	A,B,F				
1. Identification of financial reporting entity and compliance with GASB 14, as amended by GASB 39 and 61.					
a. Identify the primary government.					
b. Identify and document consideration of component units.					
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.					
d. Identify and document relationships with organizations other than component units.					
2. Nature of 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 systems.					

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June 30, 2015 **AUDIT PLANNING**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
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. Discuss and document pertinent information.	A				
J. Inquire about related-party transactions.	A,F				
K. Request the Agency assemble all necessary information, records and documents.	A,B,F				
L. 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).					
M. Determine if the engagement is an audit of group financial statements. If applicable, follow the guidance in AU 600 including but not limited to:	A,C,E,F				
1. Identifying components.					
2. Developing an overall audit strategy and audit plan for the group audit.					
3. Gaining an understanding of the group and its components and their 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.					
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.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **AUDIT PLANNING**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
N. Determine the extent of involvement, if any, of consultants, specialists or internal auditors. Where applicable, follow the appropriate guidance:					
1. AU 610 "Auditor's Consideration of the Internal Audit Function".					
2. Auditor's Specialist (AU 300.12, AU 620 and Government Auditing Standards, 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 500.08) - Include appropriate statement in the management representation letter. Examples of the use of a specialist include:					
a. An actuary used to determine incurred but not reported incurred but not reported (IBNR) claims for a self-insurance fund.					
b. An actuary used to determine amounts for other postemployment benefits (OPEB).					
O. Minutes:	A,F				
1. Review minutes through most recent meeting and document significant Board action, including subsequent events.					
2. Determine and document if minutes were properly signed.					
3. Determine, on a test basis, if meetings were preceded by proper notice. (Chapter 21.4 of the Code of Iowa).					
4. Determine the minutes show information sufficient to indicate the vote of each member present as required by Chapter 21.3 of the Code of Iowa.					
5. Determine if minutes document the Board followed proper proceedings for any closed sessions. (Chapter 21.5 of the Code of Iowa)					
a. The session was closed by affirmative roll call vote of at least two-thirds of the members.					
b. The specific exemption under Chapter 21.5 of the Code of Iowa was identified and documented.					
c. Final action was taken in open session.					
P. Obtain copy of the Agency's June 30 financial statements/reports (include copy of the Certified Annual Report (CAR).	A				
Q. Document compliance with Government Auditing Standards conceptual framework for nonaudit services, if any.					

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June 30, 2015 **AUDIT PLANNING**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
R. Determine if the Agency 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.					
S. Discuss with the engagement team the significance of threats to management participation or self-review and emphasize the risks associated with those threats.					
T. Determine if the Agency is a fiscal agent for any separate Boards or Chapter 28E organizations. Determine if they are properly disclosed and reported. Perform the necessary GASB 14, as amended by GASB 39 and 61, reviews.					
U. Determine if the Agency is a fiscal agent for an Early Childhood Iowa Area Board (also known as an Empowerment Board). If so, see the procedures included in the "Early Childhood Iowa Area Board" section of the audit program.					
V. 28E Organizations:					
1. Determine if the Agency was a member of a Chapter 28E organization with gross receipts in excess of $100,000 in the fiscal year.					
2. If so, determine if arrangements have been made for an audit of the 28E organization in accordance with Chapter 11.6 of the Code of Iowa.					
W. Determine and document judgments about materiality levels by opinion units (AAG-SLV 4.23). If done at interim, update materiality levels as of the statement of net position date.	B,C				
1. Opinion units in an Agency's basic financial statements are (as applicable):					
a. Governmental activities.					
b. Business type activities.					
c. Aggregate discretely presented component units.					
d. Each major governmental and proprietary fund.					
e. Aggregate remaining fund information (nonmajor governmental and enterprise funds, internal service funds and fiduciary fund types).					
f. Transaction class, account balance or disclosure, if necessary. (AU 320.14)					
2. Materiality level for each major federal program.					
X. Apply preliminary analytical procedures.	A,E,F				
1. Compare current year information to information with a plausible relationship.					
2. Identify expectations and document basis of expectations.					
3. Identify unusual or unexpected balances or relationships.					

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June 30, 2015 **AUDIT PLANNING**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
4. Determine and document if matters identified indicate a higher risk of material misstatement. If higher risk is indicated, adjust audit approach accordingly.					
Y. Determine completeness and accuracy of books and records by footing, crossfooting and tracing postings from journals as necessary. Include all subsidiary detail systems.					
Z. Prepare all necessary confirmation requests for mailing and send attorney letters to attorneys consulted on significant matters during field work.					
AA. Determine and document an audit strategy based on determination of audit risk. (AU 240, AU 315.26-.27, AU 320 and AU 935.20).	A,B,E,F				
BB. Internal control:	A,B,D,E, F				
1. Obtain and document an understanding of the internal controls, including those relating to overall compliance with laws and regulations.					
a. Determine and document whether these internal controls have been implemented.					
b. Assess control risk for relevant 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.					
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 concerning the assessed level of control risk for the assertions in the working papers.					
c. If the Agency uses a service organization to process transactions for the Agency (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, etc.), follow AU 402 to consider and document the effect the service organization has on the internal controls of the Agency (user organization), related control risk assessments and the availability of evidence to perform substantive procedures.					
d. 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 315.24)					

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June 30, 2015 **AUDIT PLANNING**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. Major federal programs:					
a. Obtain and document an understanding of the internal controls relevant to the common requirements applicable to all major federal programs.					
b. Determine and document whether these controls have been implemented.					
c. Assess control risk. (The auditor should plan for a low level of control risk.)					
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.					
e. Include lack of or ineffective control procedures as significant deficiencies or material weaknesses in the report on the internal control.					
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 Statement of Net Position date:					
a. Apply the following procedures for internal control work done:					
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.					
b. If considered necessary based on the above procedures, perform additional tests of controls and update risk assessments.					
CC. Determine the major funds for the governmental and proprietary funds. Funds are considered major funds if they meet both the criteria for the same element (GASB 34 par 76.)					
1. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures of the individual governmental or proprietary funds are at least 10 percent of the corresponding total for all funds of that category or type.					

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June 30, 2015 **AUDIT PLANNING**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures of the individual governmental or proprietary funds are at least 5 percent 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.					
DD. Consideration of compliance with laws and regulations (GAS Chapter 6.28, AU 250.12, AU 250.14)	D				
1. Identify and obtain an understanding of the legal and regulatory framework applicable to the Agency and how the Agency 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:					
a. Inquire of management and, when appropriate, those charged with governance, about whether the Agency is in compliance with such laws and regulations.					
b. Inspect correspondence, if any, with relevant licensing or regulatory authorities.					
EE. 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 6.34).					
FF. Modify/expand on the audit program guide, as necessary. The program should be responsive to the critical audit areas and other areas of concern noted in audit planning, the analytical procedures performed on the financial statements and the understanding obtained of the internal controls.	A,F				
GG. Immediately contact the Manager if fraud or embezzlement is suspected. Ensure the appropriate officials are notified after contacting the Manager. Chapter 11.6 of the Code of Iowa requires a CPA firm and the Agency to notify the Auditor of State immediately regarding any suspected embezzlement, theft or other significant financial irregularities. If federal funds are involved, the appropriate U.S. Regional Inspector General should be notified.					
HH. Prepare audit time budget.					
II. Discuss planning phase with the Manager and document conclusions.	A				

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June 30, 2015 **AUDIT PLANNING**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION: We have performed procedures sufficient to achieve the audit objectives for audit planning and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **AUDIT STRATEGY**

The attached audit strategy is to be used to document the following:

- Auditor's understanding of certain preliminary information regarding the Agency and its environment for planning the audit.
- Auditor's fraud risk assessment, including identification of fraud risk factors.
- Identification of material account balances and classes of transactions.
- Determination of the risk of material misstatement at the financial statement and relevant assertion levels.
- Auditor's response to the risks identified.
- Identification of the federal programs.
- Determination of major federal programs and the applicable common requirements.
- Applicability of account balances and classes of transactions to federal programs.

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **AUDIT STRATEGY**

PROCEDURE	YES	NO	REMARKS
1. Did the prior year report on the financial statements include departures from an unmodified opinion?			
2. Did the prior year audit identify any significant deficiencies or material weaknesses?			
3. Have various account balances or transactions required significant adjustments in prior audits?			
4. Was the approach in the prior year primarily substantive?			
5. Were any significant errors or instances of fraud noted in the prior audit?			
6. Is there any indication there could be substantial doubt about the Agency's ability to continue as a going concern?			
7. Does the audit require special expertise?			
8. Are specialized skills needed to determine the effect of IT on the audit, to understand the IT controls or to design tests of controls?			
9. Are there any new accounting and/or auditing pronouncements that may affect the current audit?			
10. Are there any specialized accounting practices or principles applicable to the Agency? (i.e. pensions)			
11. Have there been any significant changes in accounting practices for the Agency?			
12. Are there any economic conditions or recent developments that affected the Agency's operations? (inflation, interest rates, technological changes)			
13. Do any special regulatory or reporting requirements apply? (Single Audit)			
14. Is the Agency economically dependent on a major industry or company such that a change in the industry or company would adversely affect the Agency?			
15. Has there been a change in state or federal funding that would significantly impact the operations of the Agency?			
16. Is any aspect of the Agency profit motivated?			
17. Have there been any significant changes in the functions or responsibilities of the Agency?			
18. Do the financial statements require use of significant accounting estimates or fair value determinations?			
19. Does the Agency have multiple locations for significant operations?			

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **AUDIT STRATEGY**

PROCEDURE	DONE BY	REMARKS
20. Complete the fraud risk assessment form.		
21. Document the following on the audit strategy form:		
a. Identify material account balances and classes of transactions. Consider planning materiality as well as qualitative matters such as volume of transactions, susceptibility of assets to theft, etc.		
b. Assess the inherent risk by assertion for each of the material account balances and classes of transactions identified above and document the results.		
c. Assess control risk.		
d. Considering the understanding obtained of the Agency (including its environment and internal controls) and the determination of inherent and control risks, assess the risks of material misstatement (whether due to fraud or error) at the financial statement and relevant assertion levels and assess detection risk.		
e. Document the overall responses to the risks identified and the design of further audit procedures (audit approach).		
f. If Single Audit is applicable, identify the major federal programs using the Single Audit – Audit Strategy form.		
g. Identify the material account balances and classes of transactions applicable to major federal programs.		
h. Identify the common requirements applicable to each major federal program.		
i. Indicate whether test of controls are applicable or comment on whether controls do not exist or cannot be tested.		
22. Identify other matters considered in determining the audit strategy.		
23. Identify any matters that could increase the risk of material misstatement of the financial statements due to errors, fraud and other non-compliance.		

AREA EDUCATION AGENCY **SAMPLE AEA**

AUDIT STRATEGY
RISK ASSESSMENT

June 30, 2015

I. BRAINSTORMING CONFERENCE

Date: _____

Instructions: Members of the audit team are required to discuss the susceptibility of the Agency's financial statements to material misstatement due to fraud or error. The discussion should include an open exchange of ideas (brainstorming). The discussion should also emphasize the importance of exercising professional skepticism throughout the audit. The discussion may occur prior to, or in conjunction with, other audit planning procedures, but should take place each year.

If the audit is a Single Audit, completion of this procedure should include consideration of both the audit of the financial statements and the federal awards.

Audit of financial statements	Yes	_____	No	_____
Single Audit	Yes	_____	No	_____

Participants:

Name	Title

1. Describe how the discussion occurred (e.g. face-to-face meeting, conference call).

2. Describe the matters discussed.

AREA EDUCATION AGENCY **SAMPLE AEA**

AUDIT STRATEGY

June 30, 2015 **RISK ASSESSMENT**

Matters that should be discussed include:

a. How and where the financial statements might be materially misstated due to fraud or error.

b. How management could perpetrate and conceal fraudulent financial reporting.

c. How the perpetrators could misappropriate Agency assets.

d. Known external and internal factors affecting the Agency that might (1) create incentives/pressures to commit fraud, (2) provide the opportunity for fraud to take place and (3) reveal attitudes or rationalization about why fraud is acceptable behavior.

e. Circumstances indicative of earnings management or manipulation of other financial measures which could lead to fraudulent financial reporting.

f. The nature and risk of management override of controls.

g. How best to respond to these fraud and other risks through the design of audit procedures.

h. The importance of maintaining an appropriate attitude of professional skepticism throughout the audit when considering the risk of material misstatement due to fraud.

i. Risks of material misstatements associated with related party relationships and transactions.

The discussion should not be influenced by past favorable experience with the integrity of management.

The discussion should abandon neutrality and presume the possibility of dishonesty at various levels of management.

The discussion should focus on the financial statement areas vulnerable to fraud presuming management, employees or volunteers were inclined to perpetrate fraud.

3. Did information arise during the brainstorming meeting which may be relevant to identifying risks of material misstatement due to fraud or error?

_____ Yes (Document on Part IV)

_____ No

Comments:

AREA EDUCATION AGENCY **SAMPLE AEA**

AUDIT STRATEGY

June 30, 2015 **RISK ASSESSMENT**

II. INQUIRIES ABOUT THE RISKS OF FRAUD

Instructions: Auditors are required to make inquiries of **management** and others about the risks of fraud. Inquiries should be made each year in the planning stage of the audit. This form can be used to document the auditor's inquiries of management and other employees. Conducting one-on-one interviews with members of management and other employees is the most appropriate way of accomplishing the objectives of the inquiry process. Management interviewed should include, at a minimum, all those who sign the management representation letter.

If the audit is a Single Audit, completion of this procedure should include consideration of both the audit of the financial statements and the federal awards. Alternatively, the auditor may wish to complete separate forms.

(A separate form should be used for each person interviewed)

A. **Management Personnel Interviewed**:

Name	Title	Date

1. Inquire of the Agency's management about whether it is aware of (1) actual or suspected fraud or (2) any allegations of fraud (e.g., communications from employees or others). Describe.

2. Inquire of the Agency's management about its understanding of the risks of fraud within the Agency, including any specific risks identified or account balances or transaction classes where fraud is likely to occur. Describe.

3. Inquire of the Agency's management about the programs and controls it has established to mitigate fraud risks and how it monitors such programs and controls. Describe.

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AUDIT STRATEGY
RISK ASSESSMENT

4. Inquire of the Agency's management about the nature and extent of monitoring of operating locations, where applicable, and whether there are particular units for which a risk of fraud may be more likely to exist. Describe.

5. Inquire of the Agency's management about whether and how it communicates to employees its views on business practices and ethical behavior. Describe.

6. Inquire of the Agency's management about whether it has reported to the audit committee, or its equivalent, on how the Agency's internal control monitors the risks of material fraud. Describe.

7. Inquire of the Agency's management about their compliance with laws and regulations. Describe.

8. Inquire of management about the existence of any agreements containing confidentiality clauses. Describe.

9. Inquire as to whether the person being interviewed is aware of any abuse (i.e. misuse of authority, unneeded overtime, requesting staff run personal errands, expensive procurements, etc.). Describe.

10. Inquire as to whether the person being interviewed is aware of any employees or officials with possible financial pressures (i.e., gambling, excessive shopping, sudden medical expenses, lifestyle changes, etc.).

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AUDIT STRATEGY

June 30, 2015 **RISK ASSESSMENT**

11. Did information arise from inquiries of management which should be considered further in identifying risks of material misstatement due to fraud?

_____ Yes (Document on Part IV)

_____ No

Comments:

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

AUDIT STRATEGY
RISK ASSESSMENT

B. Others Interviewed:

Name	Title	Date

1. Inquire of others within the Agency (others can include operating personnel not directly involved in the financial reporting process, employees with different levels of authority, employees involved with initiating, recording or processing complex or unusual transactions or in-house legal counsel) about any actual fraud or suspected fraud. Describe.

2. Inquire as to whether the person being interviewed is aware of any abuse (i.e. misuse of authority, unneeded overtime, requesting staff run personal errands, expensive procurements, etc.). Describe.

3. Inquire as to whether they are aware of any employees or officials with possible financial pressures (i.e., gambling, excessive shopping, sudden medical expenses, lifestyle changes, etc.).

4. Did information arise from inquiries of others which should be considered further in identifying risks of material misstatement due to fraud?

   _____ Yes (Document on Part IV)

   _____ No

   Comments:

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AUDIT STRATEGY
RISK ASSESSMENT

C. Journal Entry Inquiry:

Name	Title	Date

1. Inquire of individuals involved in the financial reporting process about inappropriate or unusual activity relating to the processing of journal entries and other adjustments. Describe.

2. Did information arise from inquiries of others which should be considered further in identifying risks of material misstatement due to fraud?

_____ Yes (Document on Part IV)

_____ No

Comments:

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AUDIT STRATEGY
RISK ASSESSMENT

D. Audit Committee or Equivalent Personnel Interviewed:

Name	Title	Date

1. Where applicable, inquire of the audit committee or its equivalent, or at least its chair, about (1) its views about the risks of fraud, (2) whether it has knowledge of any actual fraud or suspected fraud and (3) how it exercises its oversight of the Agency's assessment of risks of fraud and the programs and controls the Agency has adopted to mitigate those risks. Describe.

2. Did information arise from inquiries of audit committee or equivalent personnel which should be considered further in identifying risks of material misstatement due to fraud?

_____ Yes (Document on Part IV)

_____ No

Comments:

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

AUDIT STRATEGY
RISK ASSESSMENT

E. Internal Audit Personnel Interviewed:

Name	Title	Date

1. Where applicable, inquire of internal audit personnel about (1) their views of the risks of fraud, (2) any procedures they performed to identify or detect fraud during the period under audit, (3) management's response to the findings and (4) whether they have knowledge of any actual fraud or suspected fraud. Describe.

2. Did information arise from inquiries of internal audit personnel which should be considered further in identifying risks of material misstatement due to fraud?

_____ Yes (Document on Part IV)

_____ No

Comments:

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June 30, 2015

AUDIT STRATEGY
RISK ASSESSMENT

QUESTION	YES	NO	N/A	REMARKS
III. FRAUD RISK ASSESSMENT				
Instructions: Complete the following questions to document your consideration of risk factors that might indicate an increased risk of material misstatement due to fraud. "Yes" answers do not necessarily indicate an increased risk, but should be considered when assessing the risk of material misstatement due to fraud. If fraud risk factors are present, but other controls exist that compensate for that risk, document the mitigating factors in the remarks column.				
RISK FACTORS RELATING TO FRAUDULENT FINANCIAL REPORTING				
A. Incentives/Pressures				
1. Is there significant pressure on meeting performance targets?				
2. Is a significant portion of management's compensation or performance assessment dependent on budgetary goals, program results or other incentives?				
3. Do unrealistic performance targets exist?				
4. Were there numerous significant budget modifications in prior periods?				
5. Is there a lack of formal budgeting policies and procedures?				
6. Is the current management unable to make reasonable estimates of tax revenues, expenditures or cash requirements?				
7. Has the credit rating for the Agency's securities been downgraded by an independent agency since the prior period?				
8. Do individuals outside of management or the governing body have substantial influence over the operations of one or more Agency units?				
9. Has management set unduly aggressive financial targets and expectations for operating personnel?				
10. Is the Agency subject to new accounting, statutory or regulatory requirements that could impair its operating efficiency or financial stability?				
11. Is the Agency experiencing rapid changes, such as rapid changes in technology or rapid changes in citizen's service expectations?				
12. Is the Agency experiencing a poor or deteriorating financial condition (for example, a declining tax base, declining economy or other anticipated loss of revenue sources)?				
13. Is the Agency having difficulty generating cash flows from operating activities?				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

AUDIT STRATEGY
RISK ASSESSMENT

QUESTION	YES	NO	N/A	REMARKS
14. Has the Agency experienced unusually rapid growth or improved financial results, especially when compared to other Agencies?				
15. Is the Agency highly vulnerable to changes in interest rates?				
16. Is the Agency unusually dependent on debt financing?				
17. Do the Agency's financing agreements have debt covenants that are difficult to maintain?				
18. Is the Agency facing the threat of imminent bankruptcy?				
19. Is there significant pressure to obtain additional funding to maintain services?				
20. Is there a high degree of competition for federal or state awards?				
21. Is there declining federal and state program funding on a national or regional level?				
22. Are there a declining number of eligible participants, benefit amounts and/or enrollments in award programs?				
23. Is there complex or frequently changing compliance requirements?				
24. Is there a mix of fixed price and cost reimbursable program types that create incentives to shift costs?				
B. Opportunities				
1. Is management dominated by a single individual or a small group without compensating controls, such as effective oversight by the agency body?				
2. Does the governing body or management lack understanding or experience regarding the operation or responsibilities of the Agency?				
3. Are internal controls inadequately monitored by management?				
4. Has management continued to employ ineffective accounting or IT personnel?				
5. Has there been a high turnover in management level employees, bankers, attorneys or auditors?				
6. Does the level of communication between accounting managers and data processing or IT departments appear to be inadequate?				
7. Are assets, liabilities, revenues and expenditures/expenses based on significant estimates that involve unusually subjective judgments or uncertainties or that could significantly change in the near term in a manner that may be financially disruptive?				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

AUDIT STRATEGY
RISK ASSESSMENT

QUESTION	YES	NO	N/A	REMARKS
8. Does the Agency engage in significant related party transactions not in the ordinary course of business (including transactions with related agencies which are unaudited or audited by another firm)?				
9. Does the Agency have unusual or highly complex transactions (particularly those close to year-end) that are difficult to assess for substance over form?				
10. Does the Agency have significant bank accounts in locations for which there does not appear to be a clear business justification?				
11. Does the Agency have an overly complex organizational structure involving numerous component units, subrecipients, related organizations, lines of managerial authority or contractual arrangements that do not have an apparent purpose?				
12. Does the Agency have significant relationships with other agencies that do not appear to have a clear programmatic or business justification?				
C. Attitudes/Rationalizations				
1. Were there numerous significant audit adjustments in prior periods?				
2. Is there an excessive interest by management to meet performance targets through the use of unusually aggressive accounting practices?				
3. Has management failed to effectively communicate and support the Agency's values or ethics?				
4. Has management failed to effectively communicate inappropriate business practices or ethics?				
5. Has management failed to correct known significant deficiencies or material weaknesses in internal control on a timely basis?				
6. Has management displayed a significant disregard for regulatory requirements, including, when applicable, federal and state award compliance requirements?				
7. Does management have a poor reputation?				
8. Does management have a history of violating laws, regulations, debt covenants, contractual obligations, or federal and state award compliance requirements?				
9. Do non-financial management or personnel excessively participate in the determination of significant estimates or selection of accounting principles?				
10. Are there frequent disputes on accounting, auditing or reporting matters between management and the current or predecessor auditor?				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

AUDIT STRATEGY
RISK ASSESSMENT

QUESTION	YES	NO	N/A	REMARKS
11. Has management made unreasonable demands on the auditor, such as unreasonable time constraints on completion of the audit or an excessive emphasis on reducing the audit fee?				
12. Has management placed restrictions on the auditor (formal or informal) that inappropriately limit access to people or information or inappropriately limit communication with the governing body or audit committee?				
13. Has management failed to respond to specific inquiries or to volunteer information regarding significant or unusual transactions?				
14. Has there been domineering behavior by management, especially involving attempts to influence the scope of the auditor's work?				
15. Are there other situations indicating a strained relationship between management and the current or predecessor auditor?				
16. Could the Agency face adverse consequences on a significant pending transaction (such as issuance of debt or receipt of a grant) if poor financial results are reported?				
17. Does the Agency have significant investments in high-risk financial investments?				
18. Are there any known personal difficulties or other influences in the lives of management that could adversely affect their integrity, attitude or performance?				
19. Do other conditions exist that indicate incentives/ pressures, opportunities or attitudes/rationalizations for management to engage in fraudulent financial reporting?				

Do conditions indicate there may be incentives/pressures, opportunities or attitudes/rationalizations for management to intentionally misstate the financial statements?

_____ Yes (Document on Part IV)

_____ No

Comments:

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

AUDIT STRATEGY
RISK ASSESSMENT

QUESTION	YES	NO	N/A	REMARKS
RISK FACTORS RELATING TO MISAPPROPRIATION OF ASSETS				
A. Incentives/Pressures				
1. Are there any indications management or employees with access to cash or other assets susceptible to theft have personal financial obligations that may create pressure to misappropriate assets?				
2. Are there any conditions that may create adverse relationships between the Agency and employees with access to cash or other assets susceptible to theft, such as the following:				
a. Known or anticipated future employee layoffs?				
b. Recent or anticipated changes to employee compensation or benefit plans?				
c. Promotions, compensation or other rewards inconsistent with expectations?				
B. Opportunities				
1. Does the Agency maintain or process large amounts of cash?				
2. Is the Agency's inventory easily susceptible to misappropriation (such as small size, high value or high demand)?				
3. Does the Agency have assets easily convertible to cash (such as bearer bonds, etc.)?				
4. Does the Agency have capital assets easily susceptible to misappropriation (such as small size, portability, marketability, lack of ownership identification, etc.)?				
5. Is the Agency susceptible to fraudulent, unauthorized disbursements (such as vendor or payroll disbursements) being made in amounts material to the financial statements?				
6. Is there a lack of management oversight over assets susceptible to misappropriation?				
7. Does the Agency lack job applicant screening procedures when hiring employees with access to assets susceptible to misappropriation?				
8. Does the Agency have inadequate record keeping over assets susceptible to misappropriation?				
9. Is there a lack of appropriate segregation of duties that is not mitigated by other factors (such as management oversight)?				
10. Does the Agency lack an appropriate system for authorizing and approving transactions (for example, in purchasing or payroll disbursements)?				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

AUDIT STRATEGY
RISK ASSESSMENT

QUESTION	YES	NO	N/A	REMARKS
11. Are there poor physical safeguards over assets susceptible to misappropriation (for example, inventory not stored in a secured area, cash or investments kept in unlocked drawers, etc.)?				
12. Is there a lack of timely and appropriate documentation for transactions affecting assets susceptible to misappropriation?				
13. Is there a lack of mandatory vacations for employees in key control functions?				
14. Does management have an inadequate understanding of information technology which enables information technology employees to perpetrate a misappropriation?				
15. Are access controls over automated records inadequate (including controls over, and review of, computer system event logs)?				
C. Attitudes/Rationalizations				
1. Do employees who have access to assets susceptible to misappropriation show:				
a. Disregard for the need for monitoring or reducing risks related to misappropriation of assets?				
b. Disregard for internal control over misappropriation of assets by overriding existing controls?				
c. Disregard for internal control over misappropriation of assets by failing to correct known internal control deficiencies?				
2. Do employees who have access to assets susceptible to misappropriation exhibit behavior indicating displeasure or dissatisfaction with the Agency or its treatment of its employees?				
3. Have you observed any unusual or unexplained changes in behavior or lifestyle of employees who have access to assets susceptible to misappropriation?				

AREA EDUCATION AGENCY **SAMPLE AEA**

AUDIT STRATEGY

June 30, 2015 **RISK ASSESSMENT**

Do conditions indicate there may be incentives/pressures, opportunities or attitudes/rationalizations relating to misappropriation of assets?

_____ Yes (Document on Part IV)

_____ No

Comments:

List any additional fraud factors or conditions identified as being present. Additional factors may have been identified through inquiry of management in the entrance conference. Also, document any compensating controls.

If improper revenue recognition was not identified as a risk of material misstatement due to fraud, describe the reasons regarding how that presumption was overcome.

AREA EDUCATION AGENCY **SAMPLE AEA**

AUDIT STRATEGY
June 30, 2015 **RISK ASSESSMENT**

IV. RESPONSE TO RISKS

The way the auditor responds to the risks identified during the risk assessment process depends on the nature and significance of the risks identified and on the Agency's programs and controls to address such risks. The auditor should take into account the various risk assessment procedures performed, including preliminary analytical procedures, brainstorming session, information obtained about the Agency and its environment, including internal controls, fraud risk considerations and any other sources providing information about relevant risks. For single audits, the auditor should consider the risk noncompliance may cause the financial statements to contain a material misstatement. Auditors respond to the results of the risk assessment in three ways: (1) an overall response as to how the audit is conducted, (2) specific responses involving modification of the nature, timing and extent of procedures to be performed and (3) responses to further address the fraud risk of management override of controls.

1. *Overall response to financial statement risks* – Describe overall risks at the financial statement level that may affect many assertions and the planned response to identified risks. Examples of overall risks include weaknesses in the control environment, changes in management, motivation by management to fraudulently misstate the financial statements, etc. Appropriate responses may include (1) assignment of personnel and supervision, (2) scrutiny of management's selection and application of significant accounting principles and (3) including an element of unpredictability in audit procedures and tests.

2. *Specific responses to risks* – If any risks are considered significant, the risk and the auditor's response to the risk should be included in the risk assessment summary form. For less significant risks, describe your specific responses, if any, to identified risks, including modification of the nature, timing and extent of audit procedures.

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

AUDIT STRATEGY
RISK ASSESSMENT

3. *Response to address management override of controls* – Because management override of controls can occur in unpredictable ways, the risk of management override of controls is always an identified fraud risk and the auditor is required to perform certain specified procedures to respond to such risk. These procedures relate to (1) examining journal entries and other adjustments, (2) reviewing accounting estimates for biases and (3) evaluating the business rationale for significant unusual transactions.

See audit program step C on audit program section Trial Balances

See audit program steps K and M on audit program section Completion of Audit

Incharge	_____	Date	_____
Manager	_____	Date	_____
Independent Reviewer	_____	Date	_____

AREA EDUCATION AGENCY **Sample AEA**

June 30, 2015

AUDIT STRATEGY
RISK ASSESSMENT SUMMARY

ACCOUNT BALANCE/ CLASS OF TRANSACTION	MAT. BAL. (y/n)	MAJ. PROG. (y/n)	Inherent Risk				CR	TOC (y/n)	RMM	Allowable DR
			High	Mod	Low	Over all				
Statement of Net Position/ Balance Sheet										
Cash										
Investments										
Taxes Receivable										
Accounts Receivable										
Deferred Outflows of Resources										
Prepaid Expense										
Inventories										
Capital Assets										
Accounts Payable										
Deferred Inflows of Resources										
Other Liabilities										
Compensated Absences										
Long Term Debt										

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AUDIT STRATEGY
RISK ASSESSMENT SUMMARY

ACCOUNT BALANCE/ CLASS OF TRANSACTION	MAT. BAL. (y/n)	MAJ. PROG. (y/n)	Inherent Risk				CR	TOC (y/n)	RMM	Allowable DR
			High	Mod	Low	Over all				
Other:										
Statement of Activities/ Statement of Revenues, Expenditures and Changes in Fund Balances										
Property Tax										
Revenue - Intergovernmental										
Revenue – Proprietary										
Other Revenue										
Expenditures										
Expenditures - Procurement/Credit Cards										
Payroll										
Transfers										
Depreciation										
Financial Reporting (Presentation and Disclosure)										
Other:										

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AUDIT STRATEGY
RISK ASSESSMENT SUMMARY

ACCOUNT BALANCE/ CLASS OF TRANSACTION	IDENTIFIED RISKS and RELEVANT ASSERTION(S)	OPINION UNIT(S) APPLICABLE	RESPONSE TO RISK and AUDIT APPROACH
Statement of Net Position/ Balance Sheet			
Cash			
Investments			
Taxes Receivable			
Accounts Receivable			
Deferred Outflows of Resources			
Prepaid Expense			
Inventories			
Capital Assets			
Accounts Payable			
Deferred Inflows of Resources			
Other Liabilities			
Compensated Absences			
Long Term Debt			

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AUDIT STRATEGY
RISK ASSESSMENT SUMMARY

ACCOUNT BALANCE/ CLASS OF TRANSACTION	IDENTIFIED RISKS and RELEVANT ASSERTION(S)	OPINION UNIT(S) APPLICABLE	RESPONSE TO RISK and AUDIT APPROACH
Other:			
Statement of Activities/ Statement of Revenues, Expenditures and Changes in Fund Balances			
Property Tax			
Revenue - Intergovernmental			
Revenue – Proprietary			
Other Revenue			
Expenditures			
Expenditures - Procurement/Credit Cards			
Payroll			
Transfers			
Depreciation			
Financial Reporting (Presentation and Disclosure)			
Other:			

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AUDIT STRATEGY
RISK ASSESSMENT SUMMARY

ASSERTIONS:

Account Balances:

E = Existence
R = Rights and Obligations
C = Completeness
V = Valuation and Allocation
A = All Assertions

Classes of Transactions:

O = Occurrence
C = Completeness
AC = Accuracy
CO = Cut off
CL = Classification
A = All Assertions

Presentation and Disclosure:

O = Occurrence and Rights and Obligations
C = Completeness
U = Classification and Understandability
V = Accuracy and Valuation
A = All Assertions

CR = Control Risk
RMM = Risk of Material Misstatement
TOC = Test of Controls
DR = Detection Risk

Audit Risk is assessed at LOW for all account balances and classes of transactions

OPINION UNITS:

GA Governmental Activities

BTA Business Type Activities

Major Funds:

G General Fund

____ _____

____ _____

____ _____

____ _____

____ _____

____ _____

____ _____

____ _____

AR Aggregate remaining funds

AD Aggregate discretely presented component units

All All opinion units

AREA EDUCATION AGENCY Sample AEA

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AUDIT STRATEGY
RISK ASSESSMENT SUMMARY

ASSERTION DEFINITIONS:

Account Balances:

E = Existence – assets, liabilities and equity interests exist.

R = Rights and Obligations – the Agency holds or controls the rights to assets and liabilities are the obligations of the Agency.

C = Completeness – all assets, liabilities and equity interests which should have been recorded have been recorded.

V = Valuation and Allocation – assets, liabilities and equity interests have been included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.

Classes of Transactions:

O = Occurrence – transactions and events which have been recorded occurred and pertain to the Agency.

C = Completeness – all transactions and events which should have been recorded have been recorded.

AC = Accuracy – amounts and other data relating to recorded transactions and events have been recorded appropriately.

CO = Cut off – transactions and events have been recorded in the correct accounting period.

CL = Classification – transactions and events have been recorded in the proper accounts.

Presentation and Disclosure:

O = Occurrence and Rights and Obligations – disclosed events and transactions occurred and pertain to the Agency.

C = Completeness – all disclosures which should have been included in the financial statements have been included.

U = Classification and Understandability – financial information is appropriately presented and described and disclosures are clearly expressed.

V = Accuracy and Valuation – financial and other information are disclosed fairly and at appropriate amounts.

AREA EDUCATION AGENCY **SAMPLE AEA**

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AUDIT STRATEGY
RISK ASSESSMENT SUMMARY

INHERENT RISK FACTORS:

1. Prior audit history indicates little or no adjustment required.
2. Prior audit history indicates significant adjustments.
3. Personnel recording transactions are competent and have been performing duties for several years.
4. New personnel/poorly trained personnel.
5. Transactions are relatively simple to record.
6. Transactions require significant calculations prior to recording.
7. Relatively few transactions.
8. Significant accounting estimates required.
9. Low susceptibility to misappropriation.
10. Highly susceptible to misappropriation.
11. Relatively immaterial.
12. Complexity of matters likely to result in misstatement.
13. Stable transaction activity.
14. High fluctuation in timing of activity.
15. Low potential for omitted activity.
16. High potential for omitted activity.
17. Prior audits included insignificant findings or no findings.
18. Prior audits included significant findings.

COMBINED RISK ASSESSMENT AND ALLOWABLE DETECTION RISK:

	CONTROL RISK			
INHERENT RISK	MAXIMUM	MODERATE	LOW	
HIGH	High	Moderate	Low	Combined risk of material misstatement (RMM)
MODERATE	Moderate	Low	Low	
LOW	Low	Low	Low	

COMBINED RISK OF MATERIAL MISSTATEMENT (RMM)	ALLOWABLE DETECTION RISK
HIGH	Low
MODERATE	Moderate
LOW	High

ARE THERE ANY SIGNIFICANT DEFICIENCIES OR MATERIAL WEAKNESSES KNOWN AT THE TIME OF PLANNING THAT MAY AFFECT THE PLANNED AUDIT APPROACH? YES NO

If Yes, document the account balance or class of transaction affected and explain.

_____

_____

_____

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

AUDIT STRATEGY
RISK ASSESSMENT SUMMARY

Planning Approach:

We have documented the material account balances and classes of transactions and identified significant risks, if any, at the relevant assertion level. We have determined and documented the risk of material misstatement, specific responses to the risks identified, an overall audit approach and have modified the audit program procedures accordingly.

Significant Changes to Overall Audit Strategy:

Document significant changes made during the audit to the overall audit strategy and reasons for such changes. These changes, if any, should be documented on the risk assessment summary or listed below:

Completion - Overall Audit Strategy Conclusion:

We have reviewed the audit procedures performed for each account balance and class of transaction and have determined these procedures agree with and satisfy the planned audit approach.

	Initials and Dates			
	Planning		Completion	
	Initials	Date	Initials	Date
Incharge				
Manager				
Independent Reviewer				

AREA EDUCATION AGENCY SAMPLE AEA

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AUDIT STRATEGY
SINGLE AUDIT

1) Determine Type A vs. Type B programs using the Program Identification form.

2) Determine the risk classification of Type A and primary Type B programs using the Risk Assessment form. The auditor is not required to perform a risk assessment of relatively small Type B programs.

3) Identify major programs and determine if the percentage of coverage rule has been met using the bottom of the Determination of Major Programs form.

   Major programs must account for at least 50% of total expenditures of federal awards unless the Agency is low-risk, in which case only 25% needs to be met.* The Agency is considered low risk if, for each of the prior two years, all of the following conditions have been met:

   - A Single Audit is performed on an annual basis.
   - Unmodified opinions on the financial statements and the Schedule of Expenditures of Federal Awards were issued. **
   - No material weaknesses in internal control under the requirements of Government Auditing Standards (relating to the financial statements) were noted. **
   - No internal control deficiencies identified as material weaknesses were noted for all Type A programs.
   - No material non-compliance was noted for all Type A programs.
   - There were no known or likely questioned costs exceeding 5% of the program's expenditures for all Type A programs.
   - The prior two years audits must have met the report submission requirements of OMB Circular A-133 (reports were submitted to the federal audit clearinghouse by March 31).

* The Agency may have one or more non low-risk Type A programs and still qualify as low-risk, as long as all Type A programs meet the criteria listed. However, all non low-risk Type A programs must be audited as major programs even if the 25% rule of coverage is met by only a portion of the non low-risk Type A programs.

** However, a waiver allowing the Agency to be identified as low-risk may be provided by the cognizant or oversight agency if it judges an opinion qualification or any identified material weaknesses does not affect the management of federal awards.

AREA EDUCATION AGENCY **SAMPLE AEA**

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AUDIT STRATEGY
SINGLE AUDIT

PROGRAM IDENTIFICATION

For programs with ARRA funding and no separate CFDA #, list the ARRA portion on a separate line and add the prefix "ARRA" – to the program name.

					Type B	
Federal Program	**CFDA #**	**Federal Awards Expended**	**% of Total Federal Awards Expended**	**Type A Program (X)**	**Primary Program (X)**	**Relatively Small Program (X)**
TOTAL						

Determine the appropriate amounts to be used as program thresholds:

Type A programs equal the	$		Primary Type B Programs equal	$	
greater of $300,000 or 3% of	X	3%	the greater of $100,000 or 3%	x	.3%
total federal expenditures	$		of total federal expenditures	$	

Relatively small Type B programs are less than the greater of $100,000 or .3% of total federal expenditures.

NOTE: A Single Audit is not required if total federal expenditures are less than $500,000.

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

AUDIT STRATEGY
TYPE A AND TYPE B PROGRAM RISK ASSESSMENT

Program Name:							
CFDA #							
Program Type:	**A / B**	**A / B**	**A / B**	**A / B**	**A / B**	**A / B**	**A / B**
Last FY Reviewed **							
Current and Prior Experience:							
Program was audited as a major program in one of the last two years. (1)	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N
No significant deficiencies/ material weaknesses or material instances of non-compliance were noted in the most recent audit period. (1)	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Persons administering program are experienced and appear competent.	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Monitoring of subrecipients is adequate.	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Computer systems used for processing are established and adequate.	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Prior audit findings have been corrected. (2)	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
Oversight (Federal and/or Pass-through entities):							
Recent monitoring reviews were performed and noted no significant problems.	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA	Y / N / NA
OMB has not identified the program as a high risk or non-low-risk program in the Compliance Supplement.	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N
Inherent Risk:							
Nature of program is not complex.	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N
There are no eligibility criteria or third party contracts.	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N
There hasn't been significant changes in federal regulations or contract provisions.	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N
Program has been on-going (not the first or last year of the program).	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N	Y / N
Program's preliminary Inherent Risk (High, Mod, Low)							
Internal Control Consideration:							
Assessed level of risk based on evaluation of internal controls for prior year. (Max / Slt / Mod / Low)							
Overall Risk Analysis:							
Low Risk (Type A or B Programs)							
Non-Low Risk (Type A Programs Only)							
High Risk (Type B Programs Only)							

(1) - This criteria must be met in order to consider a Type A program low-risk.

(2) - Auditors should use their judgment. Audit findings from prior year do not preclude the program from being low risk.

** - A-133 states in part that for a Type A program to be considered low-risk, it shall have been audited as a major program in at least one of the two most recent audit periods. This ensures that all Type A programs are tested as major at least once every three years.

Note: Except for known significant deficiencies or material weaknesses in internal control or compliance problems, a single criteria would seldom cause a Type B program to be considered high-risk.

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

SINGLE AUDIT
AUDIT STRATEGY
DETERMINATION OF MAJOR PROGRAMS

In order to determine major programs, complete the following steps:

- Enter Type A programs and their risk analysis from the Risk Evaluation form. For non low-risk programs only, enter their percentage of total federal expenditures (from the Program Identification form) in the far right column. If there are no low-risk Type A programs, then determine if total percentage of non low-risk Type A programs exceeds the percent of coverage rule. If it exceeds the minimum percentage required, the determination of major programs is complete.
- Enter the primary Type B programs and their risk analysis from the Risk Evaluation form. Select at least half of the high risk Type B programs (may limit the number selected to the number of low-risk Type A programs.) For each high-risk Type B program selected, enter its percentage of total federal expenditures (from the Program Identification form) in the far right column. When identifying which high-risk Type B programs to test as major, the auditor is encouraged to use an approach which provides an opportunity for different high-risk Type B programs to be audited as major over a period of time.
- Determine if the total percentages from these two steps exceed the percent of coverage rule. If it exceeds the minimum percentage required, then the determination of major programs is complete. If the minimum percentage is not met, include additional programs as necessary to meet the percentage of coverage rule.
- For each major program, document the inherent risk from the previous page. If a risk assessment was not required, determine the inherent risk based on the criteria from the previous page.

A B	Federal Program	CFDA #	Non Low-Risk	Low-Risk	High-Risk	% of Total Expenditures of Federal Awards	Major Program Inherent Risk
	TOTAL						

50% Rule applicable ☐

25% Rule applicable ☐

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

AUDIT STRATEGY
SINGLE AUDIT RISK ASSESSMENT

Identify applicable requirements and complete risk assessment for each major program.

Program/CFDA #: _____

Compliance Requirement	Mark if applicable	Identified Risks of Material Noncompliance	Inherent Risk		Control Risk Assess-ment	Combined Risk of Material Non-compliance	Response to Identified Risks
			Risk Factors	Assess-ment			
A. Activities allowed or unallowed							
B. Allowable costs/Cost principles							
C. Cash Management							
D. Davis-Bacon Act							
E. Eligibility							
F. Equipment and Real Property Management							
G. Matching, Level of Effort, Earmarking							
H. Period of Availability of Federal Funds							
I. Procurement and Suspension and Debarment							
J. Program Income							
K. Real Property Acquisition/Relocation Assistance							
L. Reporting							
M. Subrecipient Monitoring							
N. Special Tests and Provisions							

AREA EDUCATION AGENCY **SAMPLE AEA**

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AUDIT STRATEGY
SINGLE AUDIT RISK ASSESSMENT

INHERENT RISK FACTORS:

1. Little or no changes in the compliance requirements.
2. Compliance requirements added or significantly changed.
3. Program characteristics do not involve a high amount of risk.
4. Program characteristics involve risk, such as a significant amount of contracting or use of subrecipients or OMB designated program as higher risk, including programs with Recovery Act funds.
5. High level of independent review/oversight.
6. Little or no independent review/oversight.
7. Relatively simply compliance requirements.
8. Compliance requirements are complex, such as calculations and eligibility determinations are complex, require a high degree of judgment or are difficult to audit.
9. Personnel are experienced and competent.
10. Personnel are inexperienced, poorly trained or lack competence.
11. Administration is centralized.
12. Decentralized administration with multiple locations or branches.
13. Prior audits included insignificant no compliance findings.
14. Prior audits included significant compliance findings.

The auditor should consider whether any risks identified are pervasive to the Agency's compliance because they may affect the Agency's compliance with many compliance requirements. If the auditor identifies risks of material noncompliance that are pervasive to the Agency's compliance, the auditor should develop an overall response to such risks. Examples of situations in which there may be risk of material noncompliance pervasive to the Agency's noncompliance are as follows:

- An Agency experiencing financial difficulty and for which there is an increased risk grant funds will be diverted for unauthorized purposes.
- An Agency with a history of poor recordkeeping for its programs.

COMBINED RISK ASSESSMENT:

	CONTROL RISK			
INHERENT RISK	MAXIMUM	MODERATE	LOW	
HIGH	High	Moderate	Low	Combined risk
MODERATE	Moderate	Low	Low	of material
LOW	Low	Low	Low	Noncompliance

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **NONAUDIT SERVICES**

Objective: To evaluate and document independence resulting from the performance of nonaudit services to be provided in accordance with the GAGAS Conceptual Framework for Independence.

Nonaudit Services Performed: Document each nonaudit service to be performed and, based on your understanding with the Agency, document whether the Agency agrees to perform the following functions for each nonaudit service.

Nonaudit service to be performed	Assumes all management responsibilities	Designate an individual who has suitable SKE to oversee the service	Evaluate the adequacy and results of the nonaudit service	Accepts responsibility for the results of the nonaudit service
Preparing financial statements and notes				
Preparing WTB's, including the entity-wide WTB				
Converting cash to accrual				
MD&A				
Schedule of Expenditures of Federal Awards				

Designated Individual: Briefly describe the individual or individuals designated to oversee each of the above nonaudit services, including their skills, knowledge and experience (SKE) to oversee the nonaudit services, and whether the individual is capable of reperforming the services:

Name and Title**:** _____

SKE:_____

_____

Are any of the above nonaudit services prohibited? Yes_____ No_____ (Note: If yes, independence is impaired and the nonaudit service and the audit cannot be performed.)

Do the above individuals possess the required SKE? Yes_____ No_____ (Note: If no, independence is impaired and the nonaudit service and the audit cannot be performed.)

Do threats to independence exist for any other nonaudit services? Yes_____ No_____

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **NONAUDIT SERVICES**

If yes, list the nonaudit service and the threat:

Nonaudit Service	Identified Threat	Is the threat significant?

Possible threats are: Self-interest, self-review, bias, familiarity, undue influence, management participation and structural.

Safeguards Applied **W/P Ref**

Select from the following safeguards as applicable to reduce threats to an acceptable level:

_____Discuss the significance of threats to management participation or self-review with the engagement team and emphasize the risks associated with those threats. _____

_____Educate management about the nonaudit services performed by reviewing and explaining the reason and basis for all significant transactions, as well as authoritative standards. _____

_____The designated individual at the Agency will review and approve any proposed journal entries. _____

_____The designated individual at the Agency will compare fund balances reported in the draft financial statements to the Agency's records. _____

_____The designated individual at the Agency will complete the nonaudit services disclosure checklist. _____

_____The designated individual at the Agency will compare the financial statements and notes to financial statements to the AOS sample report. _____

_____We will obtain a secondary review of the nonaudit services by professional personnel who are not members of the audit engagement team (Independent Manager). _____

_____We will obtain secondary reviews of the nonaudit services by professional personnel not involved in planning or supervising the audit engagement. _____

_____We will consult an independent third party. _____

_____We will involve another audit organization to perform or reperform part of the audit. _____

Have the safeguards noted eliminated the threats identified above or reduced them to an acceptable level? Yes_____ No_____ (Note: If no, independence is impaired and the nonaudit service and the audit cannot be performed.)

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **NONAUDIT SERVICES**

CONCLUSION: We have evaluated the nonaudit services to be provided to the Agency both individually and in the aggregate. We have determined the nonaudit services are not prohibited services and do not involve undertaking management responsibilities as described in Government Auditing Standards.

We have evaluated and documented all significant threats and applied safeguards to eliminate or reduce any significant threat(s) to an acceptable level. We have evaluated the SKE of the individual designated by the Agency to oversee the nonaudit services and determined they are suitable in the circumstances. We have documented and met the requirements for performing nonaudit services under paragraphs 3.37 and 3.39 of the 2011 Yellow Book.

Based on the foregoing, we may provide the nonaudit services described herein and remain independent with respect to the Agency.

Incharge _____ Date _____

Manager _____ Date _____

Independent Reviewer _____ Date _____

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

PLANNING CONFERENCE ENTRANCE

Date _____

IN ATTENDANCE:

Agency		Auditor	
Name	Title	Name	Title

Items Discussion

A. Scope of Audit**:

1. Year to be audited.
2. Objectives of audit.
3. Engagement letter (if multi-year letter is used, auditor should annually remind management of the terms of the engagement).
4. Funds to be audited (including component units).
5. Federal programs.
6. Additional audit requirements.
7. Reports to be issued.
8. The audit will be conducted in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and Government Auditing Standards, issued by the Comptroller General of the United States.

B. Timing of**:

1. Fieldwork.
2. Release of report.

C. Availability of records

D. Working space arrangements, if applicable.

E. Extent of internal audit/other client assistance.

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

PLANNING CONFERENCE ENTRANCE

Items	Discussion
F. Status of prior year's audit comments.	
G. Personnel changes.	
H. Accounting problems during the year.	
I. Pending litigation.	
J. Significant accounting policies.	
K. Extent of computerized books and records.	
L. Inquire of management about the existence of related party/business transactions, including changes from the prior year and the nature of the relationships.	
M. Potential component units, including changes from the prior year and entities for which the Agency is acting as the fiscal agent.	
N. 28E organizations in which the Agency is a participant.	
O. If the Agency acts as fiscal agent for an Early Childhood Iowa Area Board (also known as an Empowerment Board), discuss the procedures required under Chapter 256I of the Code of Iowa.	
P. If the Agency has extended or received financial guarantees on obligations of other entities without receiving or paying equivalent value for the guarantee, discuss the obligation with Agency officials (GASB 70).	
Q. Understanding of fee and billing arrangements.	
R Additional items for audit planning:	
1. New capital projects or completion of projects from the prior year.	
2. New grants or completion of grants from the prior year.	
3. New revenue sources, such as special assessments, local option sales tax, etc.	
4. Debt issuances or refunding/retirement of debt.	
5. Significant changes in the Agency's budget plan from the prior year and significant amendments to the Agency's current year budget.	
6. Other.	

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **PLANNING CONFERENCE ENTRANCE**

Items	Discussion
S. GASB 43/45/57 – Inquire of management about the date of the most recent actuarial valuation or update to the valuation. A new valuation should be performed as required (based on total plan membership) or if significant changes have occurred since the most recent valuation that would affect the results of the valuation (changes in benefit provisions, size or composition of population covered, medical trend rates).	
T. GASB 68 – Accounting and Financial Reporting for Pensions – Discuss with management the impact on the Agency's financial statements for reporting a new pension liability, deferred outflows, deferred inflows, related footnotes and new RSI schedules.	
U. GASB 34 - Inquire as to whether any funds have been identified as being discretionary major funds.	
V. Inquire of management and, when appropriate, those charged with governance, about whether the Agency is in compliance with laws and regulations that may have a material effect on the financial statements.	
W. Inquire of management about their understanding of the risk of material misstatement due to fraud and whether they have knowledge of fraud that has occurred.	
X. Inquire of management about the existence of a program for preventing, deterring or detecting fraud. If a program exists, determine if fraud risk factors have been identified.	
Y. Inform management about the auditor's responsibilities to inquire of them and others about fraud risks factors relating to financial reporting and misappropriation of assets throughout the audit in accordance with AU 240.	
Z. Inquire of management about the existence of any known limitations on the engagement.	
AA. Inquire of management about who is preparing required supplementary information (RSI), including Management's Discussion and Analysis (MD&A), and supplementary information other than RSI, known as SI per GASB 34.	

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

PLANNING CONFERENCE ENTRANCE

BB. Discuss nonaudit services with those charged with governance or management, including:

1. Independence issues.
2. The nature of the audit and the nonaudit services provided.

CC. Other Items.

DD.

1. Are there any matters warranting particular attention during the audit or areas where additional procedures are requested?
2. Has there been any significant communications with regulators?
3. How does the Agency respond to changes in financial reporting standards and laws/regulations?
4. What actions have been taken to respond to prior audit comments?

Acknowledgement:

Board of Directors or Audit Committee Member	Date
Administrator	Date
Business Manager	Date

** These items are required to be communicated with those charged with governance, in addition to the items communicated in the audit engagement letter. If those charged with governance are not present at the entrance conference, ensure the required communications are discussed at a later date.

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

PLANNING CONFERENCE MANAGER

DATE: _____

TIME: _____

Items	Discussion
A. Last year's items for next year's audit	
B. Significant findings from audit planning, including discussion/results of brainstorming session*.	
C. Single Audit requirements, if applicable.	
D. Results of obtaining an understanding of internal control.	
E. Nonaudit services to be performed and results of evaluation of threats to independence and effectiveness of safeguards*.	
F. Significant audit program modifications.	
G. Risk assessment summary (RAS), including planned audit approach.	
H. Audit time budget:	
1. Timing of fieldwork.	
2. Staff scheduling.	
3. Budget variances.	
I. Other.	

Copy of planning conference and RAS summary provided to Deputy.

Deputy _____ Date _____

* If not completed at the time of the initial Manager planning conference, document date of subsequent discussion.

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **REVIEW OF MINUTES**

Date	Significant Action (S/A)	W/P REF

AREA EDUCATION AGENCY SAMPLE AEA

June 30, 2015 **FINANCIAL STATEMENT ASSERTIONS**

ASSERTION DEFINITIONS:

Account Balances:

(1) Existence – assets, liabilities and equity interests exist.

(2) Rights and Obligations – the Agency holds or controls the rights to assets and liabilities are the obligations of the Agency.

(3) Completeness – all assets, liabilities and equity interests which should have been recorded have been recorded.

(4) Valuation and Allocation – assets, liabilities and equity interests have been included in the financial statements at appropriate amounts and any resulting valuation or allocation adjustments are appropriately recorded.

Classes of Transactions:

(5) Occurrence – transactions and events which have been recorded occurred and pertain to the Agency.

(6) Completeness – all transactions and events which should have been recorded have been recorded.

(7) Accuracy – amounts and other data relating to recorded transactions and events have been recorded appropriately.

(8) Cut off – transactions and events have been recorded in the correct accounting period.

(9) Classification – transactions and events have been recorded in the proper accounts.

Presentation and Disclosure:

(10) Occurrence and Rights and Obligations – disclosed events and transactions occurred and pertain to the Agency.

(11) Completeness – all disclosures which should have been included in the financial statements have been included.

(12) Classification and Understandability – financial information is appropriately presented and described and disclosures are clearly expressed.

(13) Accuracy and Valuation – financial and other information are disclosed fairly and at appropriate amounts.

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **TRIAL BALANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objective and related assertion:					
A. Provide a document which links the report or financial statements to supporting workpapers. (12)					
Audit Procedures:					
A. Obtain or prepare working trial balances by fund type, fund, function and object class as needed. If prepared by auditor, determine independence will not be impaired.	A				
1. A separate trial balance should be prepared for each fund.					
2. Account classifications should be minimized and consistent with the GASB codification and/or the sample report.					
3. Foot the working trial balances to verify their accuracy, if applicable.					
4. Document the source of the information for the beginning balance amounts.					
B. Record, as necessary, accrual activity and adjusting journal entries.	A				
1. The adjusting journal entries should be consolidated on a separate page, numbered, briefly explained or described and referenced to supporting workpapers.					
2. Obtain and document Agency approval and concurrence for adjusting journal entries.					
3. Reconcile reversing journal entries with prior year report.					
C. Examine adjustments made directly to the financial statements. (AU 240.32 and AU 330.21)					
1. Identify and test the appropriateness of significant adjustments made in the preparation of the financial statements.					
2. Scan the journal entries throughout the period under audit and determine if testing is necessary. Document the items selected, if any.					
D. Record reclassifications, as necessary.	A				
1. The reclassification entries should be consolidated on a separate page, lettered, briefly explained or described and referenced to supporting workpapers if possible.					
2. Determine amounts due to/from Agency Funds are eliminated and recorded as cash adjustments.					
3. Inform the Agency of all reclassifications it should be cognizant of and receive its concurrence.					
E. Reference the amounts to supporting workpapers. (The adjusted trial balance amounts should be referenced to supporting workpapers.)	A				
F. Prepare closing entries for each fund.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **TRIAL BALANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
G. Reconcile the Agency's June 30 Certified Annual Report to revenues, expenditures and fund balances per the trial balances.					
H. For each proprietary fund, prepare a cashflow worksheet. The worksheet should reconcile the changes in assets, liabilities and fund equity and the operating statement activity to the cash flows for each fund. Reference the amounts on the cashflow worksheets to supporting workpapers.					
I. Record full accrual entries for the entity wide statements, as follows:					
1. The entries should be briefly explained or described and referenced to supporting workpapers. Information should be sufficient to prepare a reconciliation between fund financial statements and entity-wide financial statements.					
2. Prepare journal entries necessary to restate the beginning of the year to full accrual.					
3. Reconcile reversing journal entries with prior year report.					
4. Review receipt classifications for proper reporting on entity-wide statement.					
5. Allocate Internal Service Funds net profit/loss to the functions that benefited from the services provided.					
6. Eliminate interfund governmental activity including interfund receivables and payables and transfers.					
7. Obtain Agency concurrence for full accrual journal entries.					
J. Determine if the risk of material misstatement due to fraud or error has changed based on the results of substantive tests performed. If so, perform appropriate procedures.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **TRIAL BALANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION: We have performed procedures sufficient to achieve the audit objectives for trial balances and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **CASH**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Cash balances stated in the financial statements properly represent cash on hand, in transit or in banks. (1,2)					
B. All cash of the Agency is included in the financial statements. (3)					
C. Depositories are legally acceptable and adequate collateral has been pledged by the depositories for the Agency's deposits.					
D. Cash balances reflect a proper cut-off of receipts and disbursements and are stated at the correct amounts. (4)					
E. Cash is properly classified in the financial statements and adequate disclosure is made of restricted, pledged or committed funds. (10,11,12,13)					
Audit Procedures:					
A. Cash on hand					
1. Determine locations, custodians and probable amounts of all cash funds and select funds to be counted. (Coordinate with examination of investments on hand, in separate audit program section.)	A,B,D				
2. For funds selected, count and list all cash and cash items. Obtain client's signature for return of cash.					
3. Reconcile to established balance.					
4. Determine and document reason for any unusual items, such as employee and officials checks.					
5. Ascertain reason for checks not deposited immediately.					
6. Determine all checks were properly endorsed.					
7. Determine frequency of petty cash replenishment.					
8. Determine petty cash payments are reasonable and authorized.					
B. Undeposited receipts					
1. Determine whether prenumbered receipts were prepared immediately for all undeposited receipts at the end of the year and subsequent deposit agrees with books and bank.	A,D				
2. Obtain explanations for variances and document findings/conclusions.					
C. Cash in bank					
1. Confirm ending bank balances and authorized check signers.	A,B,D				
2. Ascertain and document confirmed authorized check signers are current employees who should sign checks.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **CASH**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
3. If appropriate, request a cut-off bank statement and related paid checks directly from the bank for ____ days following year end.					
4. If cut-off bank statements were not received, obtain bank statement and paid checks for the month immediately following year-end and perform these procedures:	D				
a. Scrutinize bank statement for erasures and prove mathematical accuracy of statement (withdrawals equal opening balance plus deposits minus closing balance).					
b. Ascertain the total paid checks and debit memos equal total withdrawals per the bank statement.					
c. Examine the paid date of each check to ascertain the check was paid by the bank during the period covered by the bank statement.					
d. Ascertain the opening balance equals the closing balance from the previous bank statement.					
5. Obtain or prepare bank reconciliations for bank accounts as of year-end.	A,B,D				
a. If prepared by client, foot bank reconciliation.					
b. Reconcile bank balances with general ledger.					
c. Obtain or prepare a list of checks outstanding at the end of the period under audit, including check number, amount and date written.					
d. Verify, on a test basis, listed outstanding checks cleared the bank after June 30.					
e. For outstanding checks over $_____ which did not clear the bank by July 31, examine supporting documentation and list payee. Ascertain and document subsequent disposition.					
f. Determine whether the Agency is writing and holding checks at June 30, and comment accordingly.					
g. Trace all deposits in transit to subsequent bank statement and document the date deposited per books and per bank.					
h. Identify, document and determine the propriety of other reconciling items.					
i. Determine unclaimed property as defined in Chapter 556.1(12) of the Code of Iowa has been reported to the State Treasurer annually before November 1 as required by Chapter 556.11 of the Code of Iowa.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **CASH**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
6. Trace transfers between banks, including money market accounts, for five days on both sides of statement date:	D				
a. Prepare a schedule detailing each transfer check, recording the amount, check number, date disbursed per books and per bank, date received (deposited) per books and per bank.					
b. Review the schedule to determine the receipt (deposit) and disbursement side of each transfer are recorded in the proper period.					
7. Determine a depository resolution including all depositories used by the Agency has been approved as required by Chapter 12C.2 of the Code of Iowa.					
8. Determine the allowability of any sweep accounts.					
9. Determine if uninsured public funds deposited in a credit union were secured by a letter of credit in an amount at least 110% of the uninsured amount.	C				
10. Determine the Agency has ensured all public funds deposits with banks have met the requirements of Chapter 12C.22 of the Code of Iowa (Pledging of Public Funds Program).					
11. Determine the propriety of any cash pledged as collateral or otherwise restricted.	C				
12. Determine extent of use of electronic fund transfers. Perform procedures as necessary.					
D. 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.					
E. Determine whether cash balances are properly classified and related disclosures are adequate.	E				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **CASH**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION: We have performed procedures sufficient to achieve the audit objectives for cash and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **INVESTMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Investment balances are evidenced by securities or other appropriate legal documents, either physically on hand or held in safekeeping by others, and include all the Agency's investments. (1,2,3)					
B. Investments are types authorized by law.					
C. Investment values, income, gains and losses are stated correctly and allocated properly. (4,7,9)					
D. Investments are properly described and classified in the financial statements and related disclosures are adequate. (10,11,12,13).					
Audit Procedures:					
A. Obtain or prepare a schedule of all investment transactions for the year, including investments owned as of year end. For U.S. Government securities, the schedule should list the par value of the security in addition to its cost.					
1. Test mathematical accuracy and trace balances to general ledger.	C				
2. Determine all investments were recorded.	A				
3. On a test basis, trace collections from sale of investments to cash receipts journal or to rollover investment.	A				
4. Examine and list investment documents on hand and trace to schedule or investment records.	A,C				
5. If the Agency has investments in government securities, sight actual investment certificate if held by the Agency or confirm ownership with outside safe keeping agent.					
6. For investments held by the Agency at the end of the year not able to be inspected because they were sold prior to the audit, vouch sale of investments to supporting documents and trace proceeds to bank deposit. Examination of safekeeping receipts is not sufficient.	A				
7. Determine if the Agency has adopted a written investment policy that complies with the provisions of Chapter 12B.10B of the Code of Iowa.					
8. Determine if changes to the investment policy comply with the provisions of Chapter 12B.10B of the Code of Iowa and have been approved by the Board.					
9. Determine investment transactions complied with the written investment policy.					
10. Determine all investments are authorized and comply with statutory provisions of Chapter 12B.10B of the Code of Iowa, as applicable.	B				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **INVESTMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
11. If applicable, determine if the Agency has an appropriate public funds custodial agreement prescribed in Chapter 12B.10C of the Code of Iowa and the Treasurer of State's administrative rules.					
12. Determine the underlying collateral of repurchase agreements consists of authorized investments and the Agency has taken delivery of the collateral either directly or through an authorized custodian as provided in Chapter 12B.10(5)(a)(5) of the Code of Iowa.	A,B				
B. Confirm investments at the end of the year.	A,B,D				
C. If the Agency has modified its deferred compensation plan to comply with IRC Section 457 plans, determine if a fiduciary relationship exists between the Agency and the deferred compensation plan. (A fiduciary relationship exists if there is a formal trust agreement between the Agency and the Section 457 plan, the Agency offers investment advice or the Agency is involved in the administration of the plan).	A,C				
1. If a fiduciary relationship exists, the deferred compensation plan assets should be recorded in a Pension Trust Fund in accordance with GASB 32.					
2. Confirm material deferred compensation plan assets at the end of the year.					
3. If no fiduciary relationship exists, the plan assets should not be displayed on the face of the financial statements and disclosure is not required.					
D. Related income					
1. Determine all investment income was received and recorded in the proper fund.	C				
2. Recalculate interest on a test basis.	C				
3. Compute interest receivable at June 30, if significant.	C				
4. If applicable, prepare a workpaper to reconcile interest received to interest recorded.					
5. Test interest rates to determine whether rates are in accordance with statutory rates established by the State Rate Setting Committee.	B				
E. Determine propriety of any investments pledged as debt collateral or otherwise restricted.	B,D				
F. Determine investments are reported at fair value in accordance with GASB 31 and the change in fair value is recorded as net increase (decrease) in the fair value of investments in accordance with GASB 31.	C				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **INVESTMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
1. When an active market does not exist for investments, determine the method of estimating fair value and evaluate the propriety of fair value measurements in accordance with AU 540 (Characteristics of an inactive market include few transactions, prices are not current, price quotations vary substantially or little information is released publicly).					
G. Determine land or other real estate held as investments by endowments are reported at fair value in accordance with GASB 52 and include the disclosure provisions of GASB 31.	C,D				
H. Document investment information for footnote disclosure in accordance with GASB 40 as follows:	D				
1. Investments on hand at June 30 should be listed by type and include maturities.					
2. Include the appropriate disclosures for the applicable risks:					
a. Credit risk.					
b. Custodial credit risk.					
c. Concentration of credit risk.					
d. Interest rate risk.					
e. Foreign currency risk.					
I. In the extremely rare instance the Agency may have investments in derivatives, determine appropriate reporting and disclosures are made in accordance with GASB 53, as amended by GASB 64. If the Agency has derivatives, it is likely a questionable investment and, accordingly, a statutory comment will be required.	D				
J. If the Agency has transferred financial assets or entered into a servicing contract for assets or liabilities, determine the appropriate disclosures and assets or liabilities are recorded in accordance with GASB 48.	D				
K. If the Agency participates in security lending transactions, determine the transactions are properly reported and the appropriate disclosures are made in accordance with GASB 28.	D				
L. Identify the outside persons who invested public funds, provided advice on the investing of public funds, directed the deposit or investment of public funds or acted in a fiduciary capacity for the Agency.					
1. Determine the contracts or agreements with outside persons require the outside person to notify the Agency in writing of the existence of material weaknesses in internal controls or regulatory orders or sanctions regarding the type of services being provided under the contracts or agreements.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **INVESTMENTS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. Obtain and review the following: a. The most recent audited financial statements and related report on internal control of outside persons involved in investing activities for the client. b. The most recent annual report to shareholders, call reports or the findings pursuant to a regular examination under state or federal law of a bank, savings and loan or credit union. c. The most recent annual report to shareholders of an open-end management investment company, unincorporated investment company or investment trust registered with the SEC.					
M. 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.					
N. Determine whether investments are properly classified and related disclosures are adequate.	D				
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION: We have performed procedures sufficient to achieve the audit objectives for investments and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **RECEIVABLES/DEFERRED OUTFLOWS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Accounts receivable are valid and have been billed in the proper amounts for services rendered. (1,2,4)					
B. Accounts receivable include all amounts still owed for activities through the end of the period. (3)					
C. An adequate allowance for uncollectible accounts has been established and revenue, accounts receivable and related disclosures are adequate and properly presented in the financial statements. (4,10,11,12,13)					
D. Deferred outflows of resources are properly recorded and supported. (2,4,10,11,12,13)					
Audit Procedures:					
A. Obtain or prepare a schedule of receivables.					
1. Reconcile receivables to the trial balance.					
2. Confirm material receivables.	A,B,C				
3. Document reason(s) for not confirming, such as not effective.					
B. Alternative procedures to confirmation:					
1. Perform tests to verify receivables represent goods/services received/performed prior to June 30.	A				
2. Trace receivables to subsequent receipt and deposit.	A				
C. Test for deposits made in the next year to determine if amounts should have been recorded as a receivable in the current year.	B				
D. Determine interfund receivables and payables reconcile and trace to approvals.	A,B				
E. Determine the necessity for or adequacy of the allowance for doubtful accounts.	C				
F. Determine if deferred outflows of resources, meeting the definition under GASB 65 and GASB 68, have been recorded.	D				
1. Review the amount(s) recorded for reasonableness.					
2. Trace the amount(s) to supporting documentation.					
G. 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.					
H. Determine whether receivables/deferred outflows of resources are properly classified and disclosures are adequate.	C				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **RECEIVABLES/DEFERRED OUTFLOWS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION: We have performed procedures sufficient to achieve the audit objectives for receivables/deferred outflows of resources and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **PREPAID EXPENSE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Prepaid expenses are properly recorded, represent a complete listing of costs allocable to future periods and are properly amortized on a basis consistent with prior periods. (1,2,3,4)					
B. Prepaid expenses are properly described, classified and related disclosures are adequate. (10,11,12,13)					
Audit Procedures:					
A. Obtain or prepare a schedule of material prepaid expenses.	A				
B. Examine supporting documentation and verify reasonableness of computed prepaid amounts.	A				
C. Determine if there are any significant unrecorded prepaid expenses.	A				
D. 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.					
E. Determine whether prepaid expenses are properly classified and disclosures are adequate.	B				
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION:					
We have performed procedures sufficient to achieve the audit objectives for prepaid expenses and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **INVENTORY**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Inventory reflected in the accounts represents a complete listing of products, materials and supplies owned by the Agency and these assets are physically on hand or stored at outside locations at the balance sheet date. (1,2,3)					
B. Inventory listings are accurately priced, extended, footed and the totals are properly reflected in the accounts. (4)					
C. Inventories are properly classified in the financial statements and disclosure is made of pledged or assigned inventory and the methods used to value inventory. (10,11,12,13)					
Audit Procedures:					
A. Inventory Observation	A				
1. Test count a selection of items. Count items of larger dollar and quantity amounts.					
2. Trace amounts of inventory per listing to amounts on hand.					
3. Trace amounts of inventory on hand to amounts on listing.					
4. Obtain cut-off information.					
5. Document any reason(s) inventories were not observed.					
B. Obtain a final inventory listing at June 30 and trace auditor's counts into this listing.	A,B				
1. Foot listing and test extensions of selected items for mathematical accuracy.					
2. Review list for reasonableness.					
3. Evaluate cut-off procedures.					
C. Price Tests	B				
1. Determine inventory valuation method.					
2. Make a list of inventory items to be price tested and request Agency to locate invoices.					
3. Verify unit costs of inventory items selected.					
4. If applicable, trace to perpetual records.					
D. 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.					
E. Determine whether inventories are properly classified and disclosures are adequate.	C				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **INVENTORY**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION: We have performed procedures sufficient to achieve the audit objectives for inventory and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **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 and 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, if applicable, has 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 or by fund and type of activity in the financial statements and related disclosures are adequate. (10,11,12,13)					
Audit Procedures:					
A. Obtain a reconciliation of capital asset activity for the fiscal year.					
B. Foot the listing and review for reasonableness.					
C. Document the capitalization policy for each class of asset.					
D. Examine records for additions and:	B				
1. Trace to invoices and/or contracts on a test basis.					
2. Determine major additions were authorized by the Agency.					
3. Determine classification as an asset, rather than repair and maintenance expense, is consistent with Agency policy.					
4. For gifts and donations, determine or review method of valuation.					
5. Observe existence of the capital asset addition.					
6. For reporting:					
a. Obtain the Agency's reconciliation of additions to the related expenditure.					
b. Determine the amount of revenue to be recorded as capital contributions for the addition of capital assets acquired through expenditures made by other governments or for donated capital assets.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **CAPITAL ASSETS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
c. Analyze the capital projects expenditures to determine completeness of capital asset additions and discuss with management whether uncapitalized expenditures should be reclassified to repair and maintenance.					
d. For construction in progress, determine and document the status at year-end.					
E. Examine records for deletions and:					
1. Verify authorization for removal/sale.	C				
2. Trace proceeds to cash receipts journal.					
3. Determine whether disposals comply with Chapter 273.3(21) of the Code of Iowa.					
4. Determine the gain/loss on disposal of capital assets.					
F. Physically observe capital assets on a test basis.	A				
1. Trace some items from the listing to the actual asset.					
2. Trace some items from the actual asset to the listing.					
G. Depreciation:	D				
1. Document depreciation policy and useful lives used for each class of asset and determine if depreciation methods and useful lives are consistently applied.					
2. Verify mathematical accuracy.					
3. Test computation of depreciation expense and extension of accumulated depreciation.					
4. Evaluate whether the remaining useful lives of assets are reasonable based on normal operations.					
5. If depreciation schedule is prepared by auditor, determine independence has not been impaired.					
H. 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 <u>subsequent</u> to meeting <u>all</u> 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.)					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **CAPITAL ASSETS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
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.					
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.					
I. Determine the Agency has complied with GASB 60 for any service concession arrangements.					
J. Library materials – test valuation of library materials.	A				
K. Analyze leases. Determine if:					
1. Leases meet the criteria of GASB Codification, Section L20.	A				
2. The Agency complied with Chapter 273.2(7) of the Code of Iowa requiring a public hearing, Board approval and Department of Education approval before entering into lease-purchase agreements greater than ten years or annually exceeding $25,000.					
3. The Agency complied with Chapter 273.3(21) of the Code of Iowa requiring approval from the Director of the Department of Education before leasing property belonging to the Agency.					
L. 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.					
M. 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.					
N. Determine whether capital assets are properly classified and disclosures are adequate.	E				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **CAPITAL ASSETS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
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 workpapers.					
Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **CURRENT LIABILITIES/DEFERRED INFLOWS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Liabilities/Deferred inflows of resources at the balance sheet date are properly supported. (1)					
B. Liabilities/Deferred inflows of resources are properly authorized, represent the correct amounts of currently payable items in the proper period and reflect all outstanding obligations. (2,3,4)					
C. Liabilities/Deferred inflows of resources are properly recorded, classified and disclosures are adequate. (10,11,12,13)					
Audit Procedures:					
A. Accounts Payable					
1. Obtain a schedule of accounts payable at June 30 and foot schedule.					
2. Reconcile the schedule to the general ledger.	B				
3. Review the schedule for reasonableness.					
4. Trace items, on a test basis, to supporting invoices and receiving reports to determine appropriate inclusion in accounts payable.	A,B				
B. Salaries and Benefits Payable					
1. Obtain or prepare a summary of salaries and benefits payable at June 30 and foot.					
2. Reconcile to general ledger.	B				
3. Review for reasonableness.					
4. On a test basis, examine contract terms/time sheets for appropriateness of accrual.	A,B				
5. Recalculate salaries and benefits on a test basis.	B				
C. Determine if deferred inflows of resources meeting the definition of GASB 65 and GASB 68 have been recorded.	A,B,C				
1. Review the amount(s) recorded for reasonableness.					
2. Trace to the amount(s) to supporting documentation.					
D. Determine if advances (grant/other funds which have been received but not spent in the current period) from grantors/others meeting the definition of GASB 65 have been recorded.	A,B				
1. Review the amount(s) recorded for reasonableness.					
2. Trace the amount(s) to supporting documentation.					
E. Unrecorded Liabilities					
1. Perform a search for unrecorded liabilities, including the following sources, and schedule findings to show the effect of the potential adjustment on operations or financial position:	B				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **CURRENT LIABILITIES/DEFERRED INFLOWS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
a. Examine files of receiving reports unmatched with vendors' invoices, searching for significant items received on or before year end.					
b. Inspect files of unprocessed invoices and vendors' statements for unrecorded liabilities.					
c. Review the cash disbursements/expenditures journal for disbursements/expenditures after the balance sheet date. Obtain and examine supporting detail for each disbursement/ expenditure of $_____ and over and determine accounts payable as of the balance sheet date were properly recorded.					
d. Inquire of responsible Agency staff about their knowledge of additional sources of unprocessed invoices, unrecorded commitments or contingent liabilities. Indicate who responded to our inquiry in the remarks column.					
F. 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.					
G. Determine whether current liabilities/deferred inflows of resources are properly classified and disclosures are adequate.	C				
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION:					
We have performed procedures sufficient to achieve the audit objectives for current liabilities/deferred inflows of resources and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **LONG-TERM LIABILITIES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Debt is authorized, supported and represents an obligation of the Agency. (1,2)					
B. All indebtedness of the Agency is identified, recorded and disclosed. (3,11)					
C. Debt is recorded in the proper fund and/or governmental or business type activities at the proper amount. (4)					
D. Disbursements or expenditures relating to the debt and debt proceeds are properly recorded and classified. (4,5,6,7,8,9)					
E. Debt and related restrictions, guarantees and commitments are properly presented in the financial statements and related disclosures are adequate. (10,11,12,13)					
Audit Procedures:					
A. Determine loan agreements entered into to purchase equipment comply with Chapter 279.48 of the Code of Iowa:					
1. The issuance of a note payable from the debt service levy must mature within five years or the useful life of the equipment, whichever is less.					
2. Before entering into the loan agreement, a notice containing the dollar amount and purpose of the agreement must be published at least once in a newspaper of general circulation within the Agency area at least 10 days before the meeting when the loan agreement is to be approved.					
3. The total annual payments of principal and interest due on all loan agreements authorized by Chapters 279.48 and 285.10(7) of the Code of Iowa must not exceed ten percent of the last authorized budget for the General Operating Fund of the Agency.					
B. Capital Leases					
1. Review lease agreements and determine whether related assets were capitalized.	A				
2. Obtain or prepare summary of payments for the next five years and thereafter.	E				
3. Compare summary to lease agreements.					
4. Determine initial proceeds were properly recorded as other financing sources and an expenditure was recorded in the proper expenditure account.	D				
C. Determine other long-term debt (deferred payment contracts, real estate contracts, statewide/local option sales tax bonds, nonexchange financial guarantees) is included in the financial statements if applicable, is properly disclosed and adequate documentation is filed in the workpapers.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **LONG-TERM LIABILITIES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
D. Compensated Absences					
1. Review the Agency's policies for earned vacation, sick leave and related FICA/IPERS benefits.					
2. Obtain or prepare summary of compensated absences at June 30 and foot summary.	A				
3. Determine the amounts have been determined in accordance with GASB 16, including calculated salary-related payments such as employer's share of social security and pension plan contributions, as applicable.	C				
4. Distinguish between:	C,E				
a. Matured portion for retirement or resignation not paid at June 30 for governmental funds.					
b. Long-term portion:					
1) due within one year.					
2) due after one year.					
5. Review for reasonableness.	B				
6. Select amounts to test the validity of compensated absences:	A,B,C,D				
a. Trace to supporting documentation.					
b. Recalculate hourly rate, number of hours earned and hours unused and extensions.					
7. Obtain information for disclosing the nature and valuation basis of the liability.					
E. Termination Benefits					
1. Review the Agency's termination benefits plan and determine the plan was properly approved.					
2. Obtain or prepare a list of employees eligible for termination benefits under the plan and the amount of the Agency's current year expense and liability as of June 30.	A				
3. Distinguish between:	C,E				
a. Matured termination benefits not paid at June 30 for governmental funds.					
b. Long-term debt:					
1) due within one year.					
2) due after one year.					
4. Select a number of eligible employees under the plan to determine if:	A,B,C,D				
a. The employees met the requirements noted in the policy.					
b. The employees were properly approved for participation in the plan.					
c. The current year expense and liability were properly calculated as of June 30.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **LONG-TERM LIABILITIES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
5. Inquire of Agency personnel about other eligible employees not included in the list.	B				
6. Prepare the necessary footnote disclosure, including:	E				
a. A general description of the termination benefit arrangements, including, but not limited to:					
1) Information about the type(s) of benefits provided.					
2) The number of employees affected.					
3) The period of time over which benefits are expected to be provided.					
b. The costs of termination benefits in the period in which the Agency becomes obligated if the information is not otherwise identifiable from the disclosures on the face of the financial statements.					
c. The significant methods and assumptions used to determine the termination benefit liabilities and expenses.					
F. Postemployment Benefits (PEB) including:					
- OPEB (GASB 43/45/57)					
- Pension Benefits/Retirement Income (GASB 68)					
- Sick leave dollars converted to healthcare (GASB 16/45/47)					
- Termination Benefits (GASB 47)					
1. Obtain copies of personnel policies, employment contracts, union agreements, employee handbook, retirement plans, etc. to gain an understanding of the Agency's PEB agreements/plans and plan membership.	A,B				
2. If the Agency has postemployment benefit plans requiring actuarial calculations, perform the following:	C				
a. Obtain a copy of and file the following:					
1) Plan document(s), including copies of amendments, if any, considered in preparing the actuarial valuation report.					
2) Latest actuarial valuation report. (Note: A new valuation is required at least every two years for plans with membership of 200 or more and at least every three years for plans with membership of 200 or less.)					
3) Census and plan asset data provided to the actuary.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **LONG-TERM LIABILITIES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
b. Determine whether the scope and objectives of the work performed by the actuary are appropriate by reviewing the latest plan documents and compare with key provisions included in the actuarial valuation report. If the report does not include a description of key plan provisions, it may be necessary to confirm the actuary's understanding of such provisions.					
c. Perform tests of census data provided to the actuary:					
1) Reconcile aggregate census data, such as the number of employees and covered compensation, to amounts shown in the actuarial valuation report or the actuary's letter.					
2) Check selected census data (age, sex, marital status, current pay, term of employment, etc.) to payroll records. Document the items tested.					
3) Based on plan documents, make appropriate tests to determine whether all eligible employees are included in the census data provided to the actuary.					
d. Methods and assumptions used by the actuary:					
1) Obtain an understanding of the methods and assumptions used by the actuary. **NOTE**: Understanding may be obtained through review of the actuarial valuation report. If basis for methods and assumptions is not clear in the report, consider the need to contact the actuary for clarification.					
2) Review for reasonableness the assumptions used by actuary to determine PEB liabilities, including performing a comparison of the assumptions used with those in preceding periods (e.g. turnover, retirement age, mortality, disability, projected salary increases, inflation rate, medical trend data, investment return). (Include/update documentation of assumptions in the permanent file for trend analysis).					
e. Inquire of the Agency as to any intent to terminate the plan.					
3. If the alternative measurement method was used, perform similar procedures as identified in step 2. (Note: Method is allowed for plans with total membership of less than 100.)	C				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **LONG-TERM LIABILITIES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
4. Determine the appropriate amounts for annual required contribution (ARC), annual OPEB/pension costs and net OPEB/pension obligation.					
5. Determine completeness and adequacy of pension liabilities as follows:					
a. Evaluate and document whether the plan auditor's report and schedule are adequate and appropriate.					
b. Evaluate whether the plan auditor has the necessary competence and independence.					
c. Recalculate Agency employer contribution amounts, the allocation percentage and the collective pension amounts allocated to the Agency based on the allocation percentage.					
6. Determine the accounting and reporting comply with applicable standards for each of the following:	C,D,E				
• Governmental Activities					
• Business Type Activities					
• Enterprise Funds					
• Discretely Presented Component Units					
7. Determine disclosures and required supplementary information are made in accordance with the applicable standards.	E				
G. Pollution Remediation Obligation					
1. For contaminated or polluted sites, determine if an obligating event has occurred requiring the Agency to include a liability for a pollution remediation obligation in accordance with GASB 49.	A,B				
2. Determine the measurement and presentation of the liability and expense was made in accordance with GASB 49.	C,D,E				
3. Determine any insurance or other recoveries are properly reported in accordance with GASB 49 as:	C,D,E				
a. A reduction of the liability and expense for unrealized recoveries.					
b. An asset and a reduction of the expense for realized recoveries.					
4. Determine the appropriate disclosures are included in accordance with GASB 49.	E				
H. 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.					
I. Determine whether long-term liabilities are properly classified and disclosures are adequate.	E				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **LONG-TERM LIABILITIES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION:					
We have performed procedures sufficient to achieve the audit objectives for long-term liabilities and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **NET POSITION/FUND BALANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. All and only properly authorized restrictions and committments and designations of fund balances are recorded. (1,3)					
B. Components of fund balances are determined in accordance with state and local regulations and requirements. (2)					
C. Components of net position and/or fund balances and changes in fund balances are properly computed and are described, classified and disclosed appropriately as applicable in the entity-wide and/or fund financial statements. (4,10,11,12,13)					
Audit Procedures:					
A. Reconcile the Agency's net position/fund balances to prior year audited balances.					
B. Analyze activity during the period that directly affected net position/fund balance.	A,C				
C. Review changes for propriety and for conformance with GAAP.	C				
D. Determine each fund is properly classified by fund type in accordance with GASB Statement No. 54.					
E. Determine the proper classification of fund balances on the governmental fund financial statements:	A,B,C				
1. Nonspendable:					
a. Inventories.					
b. Prepaid expenses.					
c. Long-term amounts of loans/notes receivable.					
d. Property acquired for re-sale.					
e. Permanent endowments or permanent funds (nonspendable portion).					
2. Restricted:					
a. External restrictions (for example, bond covenants or State legislation).					
b. Enabling legislation (authorizes governing body to assess, levy, charge or otherwise mandate payment of resources and includes a legally enforceable requirement the resources be used only for specific purposes.)					
3. Committed – Amounts available to be used only for specific purposes through formal action by Board resolution prior to year end.					
4. Assigned – Amounts constrained by the Agency's intent to be used for specific purposes, but are neither restricted nor committed.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **NET POSITION/FUND BALANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
5. Unassigned.					
F. Determine the proper classification of net position for report purposes for the following;	C				
1. Net investment in capital assets.					
2. Restricted net position:					
a. External restrictions (for example, special levies, bond covenants or State legislation).					
b. Enabling legislation (internal restrictions made by the governing body).					
c. If permanent endowments or permanent funds are included in restricted net position, restricted net position should be displayed in two components (expendable and nonexpendable).					
3. Unrestricted net position.					
G. Determine prior period adjustments meet GAAP criteria for recognition.					
H. Determine if any portion of the unassigned fund balance should be committed.	C				
I. Determine fund balance disclosures are adequate.	C				
J. 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.					

ALTERNATE/ADDITIONAL PROCEDURES:

CONCLUSION:

We have performed procedures sufficient to achieve the audit objectives for net position and fund balance and the results of these procedures are adequately documented in the accompanying workpapers.

Incharge _____ Date _____

Manager _____ Date _____

Independent Reviewer _____ Date _____

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **RECEIPTS/REVENUES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and assertions:					
A. Only available and measurable revenues in the fiscal year have been recorded and are valid. (5,8)					
B. All available and measurable revenues in the fiscal year have been recorded. (6,8)					
C. The Agency has satisfied the relevant legal requirements to receive all revenues recorded.					
D. Revenues have been billed or charged and recorded at the correct amount. (7)					
E. Revenues are properly classified by fund type in the financial statements and related disclosures are adequate. (9,10,11,12,13)					
Audit Procedures:					
A. General					
1. Scan ledgers or receipts journal for unusual receipts. Investigate accordingly.	A				
2. Test revenues:	A,B,D				
a. Detail receipt number, source of funds, purpose and amount.					
b. Trace posting to cash receipts journal.					
c. Determine appropriateness of account classification.					
d. Vouch to supporting documentation.					
e. Trace to validated deposit ticket.					
f. Determine if deposits were made in a timely manner.					
3. Confirm and reconcile to the Agency's ledger amounts received:	A,B,D				
a. Property tax by school districts from the Iowa Department of Management.					
b. Various state and federal funds from the Iowa Department of Education.					
c. Sales of services from schools and school districts.					
B. Anticipatory Warrants					
1. Obtain or prepare a summary of anticipatory warrants issued during the year.					
2. Review authorization for issuance of these obligations.	A,B,C,D				
3. Trace receipts of such obligations into the cash receipts journal and bank statements.	B				
4. If proceeds are not recorded in cash receipts journal, trace to subsidiary ledger and prepare recommended adjustment to properly record these transactions and reflect them in the fund balance.	B,D				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **RECEIPTS/REVENUES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
C. Categorical Funding:	C				
Audits of Agencies must document compliance with Chapter 11.6 of the Code of Iowa regarding categorical funding.					
According to the Iowa Department of Education's administrative rules, "Categorical funding means financial support from state and federal governments that is targeted for particular categories of students, special program, or special purposes. Categorical funding includes both grants in aid and budgetary allocations."					
Evidence of testing categorical funding is required annually. Auditors should document testing each year and the specific categorical funding tested each year so categorical funding is tested on a rotating basis, at least every three years. Workpaper documentation is required.					
Refer to the Iowa Department of Education's administrative rules for listings of appropriate and inappropriate uses of the following specific categorical funding (4 digit project dimension):					
1. Educator quality, professional development (3376) (Chapter 284 of the Code of Iowa).					
2. Beginning teacher mentoring and induction (3202) (Chapter 284 of the Code of Iowa).					
3. Beginning administrator mentoring and induction (3209) (Chapter 284A of the Code of Iowa).					
4. Teacher salary supplement (3204 & 3205) (Chapter 284 of the Code of Iowa).					
Categorical funding compliance procedures (Duplicate as needed to test programs):					
_____ (categorical funding program)					
a. Determine the moneys received for categorical funding are credited to the appropriate fund per Chapters 257 and 298A of the Code of Iowa and Iowa Department of Education administrative rules.					
b. Determine moneys received are spent in accordance with the applicable statutes of the Code of Iowa and Iowa Department of Education administrative rules. Specifically:					
1) Indirect cost recovery was not applied to categorical funding provided by the State, unless permitted by the Code of Iowa.					
2) Categorical funding was used to supplement, not supplant, expenditures unless expressly permitted by the Code of Iowa.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **RECEIPTS/REVENUES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
3) Unexpended categorical funding at year-end, if any, has been reported as reserved fund balance.					
4) Discontinued categorical funding has been carried forward to be expended within 24 months unless a longer period is expressly permitted.					
5) Expenditures were limited to direct costs of providing the program or service and did not include allocated costs or indirect costs or overhead.					
6) Expenditures have not been duplicated or charged to more than one categorical funding program.					
7) Expenditures charged to the categorical funding program do not exceed the total of the current year's funding or allocation plus any carry forward balance from the previous year.					
8) Categorical funding was not commingled with other funding. According to the administrative rules, "Categorical funding shall not be commingled with other funding. AEA's shall use a project code and program code as defined by Uniform Financial Accounting (UFA) manual."					
D. 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.					
E. Determine whether revenues are properly classified and disclosures are adequate.	E				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **RECEIPTS/REVENUES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION: We have performed procedures sufficient to achieve the audit objectives for receipts/revenues and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **DISBURSEMENTS/EXPENDITURES/EXPENSES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives:					
A. Recorded expenditures and cash disbursements are for goods or services authorized and received. (5)					
B. Expenditures incurred for goods or services have all been identified. (6)					
C. Expenditures for goods or services have been recorded in the correct fiscal year. (8)					
D. Expenditures for goods or services and related disbursements have been recorded correctly as to account, fund, period and amount. (7,9)					
E. Expenditures for goods or services are properly presented by fund type and related disclosures are adequate. (10,11,12,13)					
Audit Procedures:					
A. General					
1. Scan ledgers or receipts journal for unusual disbursements. Investigate accordingly.	A,D				
2. For travel and questionable disbursements:					
a. Scan account detail for travel expenses and other disbursements which may not meet public purpose criteria.	A				
b. Prepare workpapers as necessary to adequately document for report presentation.					
3. Credit Cards					
a. Determine if the Agency has established a written policy for the use of credit cards.					
b. If activity is significant, test selected transactions for propriety and compliance with the policy.					
4. Related Party Transactions					
a. Schedule all related party transactions with Agency officials or employees for comment. The workpaper should list all payments and describe the nature of each transaction applicable for the period when the individual was an employee or official of the Agency.	A,E				
b. Determine and document compliance with the provisions of Chapter 301.28 of the Code of Iowa regarding Agency directors, officers and teachers not acting as an agent for books and supplies, including sports apparel and equipment.					
5. Document reconciliation of client's year-end financial statement for all funds and the Certified Annual Report (CAR) to appropriate exhibits and schedules in audit report. Resolve any differences.	E				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **DISBURSEMENTS/EXPENDITURES/EXPENSES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
B. Payroll					
1. On a test basis, select payroll transactions to test:	A,B,C,D				
a. Authorization for gross pay or hourly rate.					
b. Approval of hours worked and leave taken.					
c. Accuracy of number of hours paid per payroll journal to hours worked per approved time sheet (for hourly employees).					
d. Accuracy of calculation of gross pay.					
e. Determine if Forms 941, W-3 or W-2 were filed with the IRS, as appropriate.					
f. Determine if Forms 1099 were issued for outside services of $600 of more. Note: If 1099 forms were issued, ensure workers should not be reclassified as employees.					
g. Accuracy of computation of FICA and IPERS. (The following FICA rates were effective January 1, 2014: Employee and employer rate of 7.65%.) (The following IPERS rates are effective July 1, 2014: Regular employee rate is 5.95% and employer rate is 8.93%.)					
h. Reasonableness of computation of federal and state withholding.					
i. Authorization for payroll deductions.					
j. Endorsement and cancellation of warrant.					
k. Proper recording of leave taken.					
2. Determine timesheets are prepared and approved for all employees, including salaried employees.	A				
3. Consider analytical procedures to substantiate payroll.	A,B,C,D, E				
4. Review copies of payroll tax returns and reconcile gross wages and the Agency share of FICA and IPERS to the expenditure record. Explain material variances.	D				
5. Analyze positions upgraded during the year and determine propriety.					
6. Obtain or prepare the total Agency contributions to IPERS for footnote disclosure.	E				
7. For retirement systems other than IPERS:					
a. Review and update permanent file information on pension plans. Identify and document the type of plan.					
b. Obtain copy of actuarial report and review. Include copy of pertinent data in file.					
c. Determine employee groups covered by each plan.					
d. Obtain and verify appropriate information for disclosure in accordance with P20 of the GASB Codification.	E				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **DISBURSEMENTS/EXPENDITURES/EXPENSES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
8. Determine if any employees receive a flat dollar allowance for travel, clothing or uniform cleaning. If so, determine if this allowance is included in taxable income on the W-2.					
9. Determine if the Agency provides housing for employee use. If so, determine if these qualify as taxable benefits per IRS regulations and, if applicable, were properly reported as taxable income on the W-2's.					
10. Vehicle Usage					
a. Determine if the Agency provides vehicles for employee use.					
b. Obtain copy of Agency's policy regarding vehicle usage. Identify specifics for:					
1) Incidental personal use.					
2) Commuting.					
3) Assignment of vehicles.					
4) Documentation required.					
5) Restricted vehicle uses.					
6) Reimbursement by employees for personal use.					
7) Additional compensation for employees.					
8) Public purpose served.					
9) Other.					
c. Determine if Agency's procedures are adequate and reasonable to comply with:					
1) Recordkeeping requirements.					
2) Taxation requirements.					
3) Public purpose requirements.					
C. Other Expenditures					
1. On a test basis, select transactions to determine:	A,B,C,D				
a. Expenditure was properly authorized and approved for payment.					
b. Expenditure was properly classified and recorded in correct fiscal year.					
c. Expenditure was supported by appropriate documentation, i.e. invoice, contract, purchase order and receiving report.					
d. Invoice or other documentation was canceled to prevent reuse.					
e. Canceled checks or electronically retained check images per Chapter 554D.114(5) of the Code of Iowa are properly endorsed and canceled.					
f. Endorsement and cancellation of check appear proper.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **DISBURSEMENTS/EXPENDITURES/EXPENSES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
g. Capital outlay items are included on the capital asset additions listing as applicable.					
h. Check signatures were authorized per confirmed list from bank.					
i. Mileage was paid at a rate approved by the Board and was not in excess of the amount allowable under Internal Revenue Service rules as provided by Chapter 70A.9 of the Code of Iowa.					
j. The expenditure appears to meet the test of public purpose.					
2. Obtain a copy of the Agency's policy regarding payment of claims prior to Board approval. Determine if procedures are followed as prescribed and are in compliance with Chapters 279.29 and 279.30 of the Code of Iowa.	D				
3. Administrative charges - determine and document:					
a. Basis for assignment of administrative charges to programs.					
b. Reasonableness of allocation.					
c. Recalculations of allocation.					
4. Administrative expenditures – Chapter 273.13 of the Code of Iowa states administrative expenditures are not to exceed 5% of the operating fund. Determine whether administrative expenditures are in compliance with the Code of Iowa. (The Department of Education considers this to be executive administrative expenditures as reported in section 6, line 16 of the Certified Annual Report).					
5. For capital projects and other construction contracts:					
a. Reconcile original contract to final contract.					
b. Reconcile total payments to date by scheduling prior year payments, current year payments, payments due and retainage due.					
c. Determine amount of current liability for balance sheet for payments and/or retainage due.					
d. Determine projects and contracts were authorized and approved by the governing body.					
e. Determine construction contracts do not contain clauses which would make the in-state construction contracts subject to the laws of another state or which require litigation, mediation, arbitration or other dispute resolution proceedings be conducted in another state in accordance with Chapter 537A.6 of the Code of Iowa.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **DISBURSEMENTS/EXPENDITURES/EXPENSES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
f. For public improvements with estimated total cost in excess of the competitive bid threshold established by Chapter 26.3 of the Code of Iowa or as established in Chapter 314.1B of the Code of Iowa ($130,000 before January 1, 2015 and $135,000 effective January 1, 2015), determine public hearing and bidding requirements of Chapters 26.2 through 26.13 of the Code of Iowa were followed:					
1) Determine the Agency advertised for sealed bids as provided in Chapter 26.3 of the Code of Iowa and published notice not less than 4 days but not more than 45 days before the date for filing bids.					
2) Determine the Agency published notice of the public hearing not less than 4 nor more than 20 days before the date of the hearing as provided in Chapters 26.12 and 362.3 of the Code of Iowa.					
3) Determine the Agency had an engineer licensed under Chapter 542B, a landscape architect licensed under Chapter 544B or an architect registered under Chapter 544A prepare the plans and specifications and calculate the estimated total cost of the proposed public improvement as required by Chapter 26.3 of the Code of Iowa.					
4) Determine the Agency awarded the contract for the public improvement to the lowest responsive, responsible bidder as required by Chapter 26.9 of the Code of Iowa.					
g. Determine the Agency received competitive quotes for public improvement projects in accordance with Chapter 26.14 of the Code of Iowa for projects with estimated costs less than required bid thresholds but greater than the threshold amount established by the bid threshold committee per Chapter 314.1B of the Code of Iowa. (For an area with a population of 50,000 or more, $72,000 before January 1, 2015 and $75,000 effective January 1, 2015.)					
1) For work performed by Agency employees, other than repair or maintenance work, determine the Agency filed a quotation for the work to be performed in the same manner as a contractor as required by Chapter 26.14(3)(a) of the Code of Iowa.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **DISBURSEMENTS/EXPENDITURES/EXPENSES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2) Determine the Agency awarded the contract for the public improvement to the contractor submitting the lowest responsive, responsible quotation as required by Chapter 26.14(3)(b) of the Code of Iowa.					
h. Determine any enhancement payments made for early completion of the project did not exceed 10 percent of the value of the contract in accordance with Chapter 26.9 of the Code of Iowa.					
i. Determine the Agency applied for and received sales tax refunds on completed projects, unless an exemption certificate was issued by the Agency for the contractor per Chapter 423.3(80)(b) of the Code of Iowa.					
j. For public improvement projects, determine the Agency complied with requirements for the early release of retained funds in accordance with Chapter 26.13 of the Code of Iowa.					
D. Inquire of management and when appropriate, those charged with governance, as to the existence of any agreements containing confidentiality clauses.					
1. Determine if legal counsel agreed to the insertion of the clauses					
2. Determine if the agreements were properly approved by the governing body					
3. Review the funding source for the payment(s) made under the agreements					
E. Anticipatory warrants and stamped warrants					
1. Obtain or prepare a schedule of obligations redeemed during the year, including interest paid and payment date.	A				
2. Determine interest rates paid on stamped warrants are within legally allowable limits as established by the State Rate Setting Committee in accordance with Chapter 74A of the Code of Iowa.					
3. Recompute interest paid on a test basis.					
4. Determine stamped warrants were included as expenditures at the time of issuance rather than at the time of redemption.					
5. Determine anticipatory warrants redeemed are netted against proceeds at the time of redemption.	D,E				
6. If anticipatory warrants issued and redeemed during the year do not net to zero:					
a. Include the net difference as a receipt (proceeds of anticipatory warrants issued, net) or as an expenditure (anticipatory warrants redeemed, net) as appropriate.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **DISBURSEMENTS/EXPENDITURES/EXPENSES**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
b. Include the amount outstanding at June 30 on the balance sheet as anticipatory warrants payable.					
7. Obtain or prepare a Summary of Obligations outstanding at year end and reconcile to obligations outstanding at the beginning of the year, obligations issued during the year and obligations redeemed during the year.					
8. Determine debt instruments issued comply with provisions of Chapter 74 of the Code of Iowa.					
F. 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.					
G. Determine whether expenditures/expenses are properly classified and disclosures are adequate.	E				
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION:					
We have performed procedures sufficient to achieve the audit objectives for disbursements/expenditures/expenses and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **TRANSFERS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. All transfers have been identified, adequately supported and properly authorized. (5,6)					
B. Transfers comply with statutory requirements, if any.					
C. Transfers are recorded in the proper time period under audit and are correct as to accounts and amounts recorded. (7,8)					
D. Transfers are properly classified and disclosures are adequate. (9,10,11,12,13)					
Audit Procedures:					
A. Obtain or prepare a schedule of all fund transfers during the year.					
B. Identify the date and purpose of each transfer and trace to supporting documentation. Document description on workpaper.	A,B				
C. Determine if any amounts transferred should be classified as a revenue or expenditure.	D				
D. Determine transfers were properly approved.					
E. Determine the transfers are recorded in the proper fund and proper period.	C				
F. Scan other expenditure and revenue categories for unrecorded transfers.	A				
G. Review transfers for propriety and document findings.					
H. Determine transfers-in equal transfers-out.	A,D				
I. 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.					
J. Determine whether transfers are properly classified and adequately disclosed.	D				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **TRANSFERS**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION: We have performed procedures sufficient to achieve the audit objectives for transfers and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____ Manager _____ Date _____ Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **INSURANCE AND SELF INSURANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Claims paid are recorded correctly as to account, amount and period and are disbursed in accordance with the Agency's policies and procedures for claims settlement. (5,6,7,8)					
B. Reserves for claim losses represent a reasonable estimate of the Agency's liability for claims filed and incurred but not reported (IBNR) claims. (1,2,3,4)					
C. Insurance (self-insurance) revenues, transfers, expenditures, assets, liabilities and fund equity net position are properly classified and described in the financial statements and related disclosures are adequate. (9,10,11,12,13)					
D. The Agency has complied with applicable laws and regulations.					
Audit Procedures:					
A. Inquire about the Agency's policies and procedures for administering and financing insurance claims, including whether insurance policies are carried for complete coverage of some or all risks or only for excess liabilities.					
B. Prepare a workpaper to summarize amount and type of significant coverage. Review coverage to: 1. Determine if reasonable and current. 2. Determine significant areas in which risk is retained.	C				
C. If a separate insurance fund has been established, consider analytical procedures such as comparing claim disbursements/expenditures and other fund transactions (i.e. employee contributions, insurance premiums and administrative fees) to the prior period actual and relate to the number of covered employees (if applicable).	A				
D. Review charges by the insurance fund to other funds and determine if they are in accordance with GASB 10 (GASB Codification, sections C50.122-126): 1. If a Governmental Fund is used, may use any method to allocate loss disbursements/expenditures/expenses to other funds of the Agency. Transactions constituting reimbursements to the Governmental Fund for disbursements/expenditures/expenses initially made from it that are properly applicable to another fund should be reported as expenditures or expenses in the reimbursing fund and as reductions of the disbursement/expenditure/expense in the Governmental Fund.	A				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **INSURANCE AND SELF INSURANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. If an Internal Service Fund is used, may use any basis considered appropriate to charge other funds as long as the total charge is either calculated in accordance with the criteria of GASB Codification, Sections C50.110-114 or is based on an actuarial method or historical cost information and adjusted over a reasonable period of time. If latter method is used (actuarial method or historical cost information method), an additional charge may be made to other funds that represents a reasonable provision for expected future catastrophic losses. Charges (billings) should be recognized as revenue by the Internal Service Fund and as disbursements/expenditures/ expenses by the other funds.					
3. For either General, Special Revenue or Internal Service Funds, billings in excess of the accrual should be accounted for as transfers.					
E. Review estimates of losses from claims with a responsible official and determine if properly recorded as an disbursement/expenditure/expense and a liability. Estimates should include:	B				
1. Reported claims meeting criteria of GASB Codification, Sections C50.110-118.					
2. Incurred but not reported (IBNR) claims meeting criteria of GASB Codification, Sections C50.113-114. Determine the basis used to estimate IBNR claims is reasonable.					
3. If the Agency participates in a public entity risk pool and is subject to a supplemental premium assessment, an accrual should be made if the likelihood of such assessment meets the criteria of GASB Codification, Section C50.132.					
4. If the Agency participates in a public entity risk pool but is not subject to a supplemental premium assessment, review economic viability of pool with responsible official and determine if liability should be recorded based on certain conditions.					
5. If the Agency participates in a public entity risk pool, inquire of responsible official about the Agency's plans for continuing its participation in the pool. If the Agency has plans to terminate its membership, determine if additional liabilities should be recorded based on terms of the agreement to participate.					
F. If the Agency has a self-funded health insurance plan, including self-funded deductibles:	B,D				
1. Obtain a copy of the actuarial report required by Chapter 509A.15 of the Code of Iowa.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **INSURANCE AND SELF INSURANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. Examine report to determine reasonableness of reserves. Determine if additional liability should be recorded in Agency's financial statements.					
3. Determine if a copy of the actuarial opinion and annual financial report were filed with the Insurance Commissioner within 90 days of year-end.					
4. If an actuarial report was not obtained because the Agency qualified under Chapter 509A.15(4) of the Code of Iowa, determine a waiver was properly requested from the Iowa Insurance Division.					
G. If an outside administrator or service company is used:	A,B				
1. Obtain a copy of the annual report on the status of the program.					
2. Review report for estimates of liabilities for claims filed and IBNR claims.					
3. Compare report with prior periods and discuss any unusual variances with responsible official.					
4. Compare amounts in report with recorded estimated liabilities.					
H. Determine the adequacy of financial statement presentation and disclosures.	C				
1. Financial statement presentation considerations should include:					
a. If a single fund is used to record risk financing activities, it should be either the General Fund, a Special Revenue Fund or an Internal Service Fund.					
b. Loss liabilities for governmental funds should be recognized using the modified accrual basis of accounting (i.e. current portion recorded as an expenditure and fund liability and long-term portion recorded in the entity-wide statements.)					
c. Loss liabilities for an Internal Service Fund (or other proprietary funds) should be recorded as a fund liability of the Internal Service Fund (or other proprietary funds).					
d. For Internal Service Funds, any amount in net position arising from an optional additional charge for catastrophic losses should be reported as designated.					
e. If the Agency participates in a public entity risk pool in which there is no transfer of risk to the pool or pool participants, contributions to the pool should be reported as either deposits (if not expected to pay claims) or as reductions of claims liability (if used to pay claims) in accordance with GASB 10 (GASB Codification, Section C50.135) and Statement of Position (SOP) 98-7.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **INSURANCE AND SELF INSURANCE**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. Disclosures should include:					
a. Description of risks of loss the Agency is exposed to and ways in which those risks are handled (i.e., purchase of commercial insurance, participation in a public entity risk pool or risk retention). Describe significant reductions, if any, in insurance coverage from the previous year by major category of risk and any settlements in excess of insurance coverage in any of the prior three fiscal years.					
b. If the Agency participates in a public entity risk pool, describe the nature of participation and rights and responsibilities of the Agency and the pool.					
c. If the Agency retains some risk of loss, include the additional disclosures required by GASB 10 (GASB Codification, Section C50.144(d)).					
d. For Internal Service Funds, also disclose:					
1) Deficit fund balance.					
2) Net position resulting from optional charges for catastrophic losses.					
I. 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.					
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION:					
We have performed procedures sufficient to achieve the audit objectives for insurance and self insurance and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **SINGLE AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives:					
A. Federal revenues and expenditures are valid and complete and, if applicable, indirect costs are allocated properly.					
B. Federal revenues and expenditures are properly presented in the financial statements.					
C. The organization has complied with laws and regulations affecting the expenditure of grant funds.					
NOTE: Programmatic requirements are unique to each federal program and can be found in the laws, regulations, and provisions of contract and grant agreements pertaining to the program. For programs listed in the compliance supplement, the programmatic requirements can be found in Part 4. For those not covered in the compliance supplement, review Part 7 of the supplement.					
NOTE: The following guidance is from Part I of Appendix VII in the 2009 Compliance Supplement relating to the American Recovery and Reinvestment Act (ARRA).					
Schedule of Expenditures of Federal Awards (SEFA)					
To maximize the transparency and accountability of the American Recovery and Reinvestment Act spending required by Congress and in accordance with 2 CFR 215, section__.21 "Uniform Administrative Requirements for Grants and Agreements" and the A-102 Common Rule provisions, recipients agree to maintain records that identify adequately the source and application of ARRA funds.					
For recipients covered by the Single Audit Act Amendments of 1996 and OMB Circular A-133, recipients agree to separately identify the expenditures for Federal awards under the ARRA on the Schedule of Expenditures of Federal Awards (SEFA) and the Data Collection form (SF-SAC) required by OMB Circular A-133. This shall be accomplished by identifying expenditures for Federal awards made under the ARRA separately on the SEFA, and as separate rows under Item 6 of Part III on the SF-SAC by CFDA number, and inclusion of the prefix "ARRA - " in identifying the name of the Federal program on the SEFA and as the first characters in Item 6c of Part III on the SF-SAC.					
Responsibilities for Informing Subrecipients					
Recipients agree to separately identify to each subrecipient, and document at the time of subaward and at the time of disbursement of funds, the Federal award number, CFDA number, and amount of ARRA funds. When ARRA funds are subawarded for an existing program, the information furnished to					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **SINGLE AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
subrecipients shall distinguish the subawards of incremental ARRA funds from regular subawards under the existing program.					
Recipients agree to require their subrecipients to include on their SEFA information to specifically identify ARRA funding similar to the requirements for the recipient SEFA described above. This information is needed to allow the recipient to properly monitor subrecipient expenditures of ARRA funds, as well as for oversight by the Federal awarding agencies, Federal Offices of Inspector General, and the Government Accountability Office.					
Audit Procedures:					
A. Review applicable reference material:					
1. OMB Circular A-133, Audits of States, Local Governments, and Other Non-Profit Organizations.					
2. OMB Circular A-133 Compliance Supplement.					
3 OMB Circular A-21, Cost Principles for Educational Institutions.					
4. OMB Circular A-102 (Revised), Grants and Cooperative Agreements with State and Local Governments (March 3, 1988).					
5. Compliance Audits (AU 935).					
6. GAO Government Auditing Standards (the Yellow Book), 2011 revision.					
7. Federal Cognizant Agency Audit Organization Guidelines (the Orange book), Revised November, 1987.					
8. AICPA Audit Guide, Audits of State and Local Governmental Units.					
9. OMB Catalog of Federal Domestic Assistance.					
10. Applicable sections of the Code of Federal Regulations.					
11. OMB Super Circular. The Super Circular's administrative requirements and cost principles will apply to new federal awards issued by federal awarding agencies on or after December 26, 2014. These requirements will also apply to additional funding to existing awards (referred to as funding increments) made after December 26, 2014.					
B. Obtain or prepare a Schedule of Expenditures of Federal Awards. If prepared by the auditor, determine Independence will not be impaired. The schedule should include:	A				
1. Federal grantor or pass-through agency, if applicable.					
2. Program name.					
3. CFDA number.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **SINGLE AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
4. Grant number.					
5. Program or award amount.					
6. Program disbursements/expenditures (for cash awards) or value of non-cash assistance (for non-cash awards).					
7. All programs completed and/or terminated during the year and all programs open without monies being received or expended during the audit period.					
8. Any program with funding under the American Recovery and Reinvestment Act (ARRA) must be listed separately and include the prefix "ARRA - " in the federal grant program name.					
C. Determine each program's name and CFDA number reported in the Schedule of Expenditures of Federal Awards agrees with the CFDA Agency Program Index.					
D. Reconcile appropriate amounts in the Schedule of Expenditures of Federal Awards to amounts in the financial statements and to amounts in the accounting records and document accordingly.	A,B				
E. Determine if any new federal awards were issued on or after December 26, 2014, including incremental funding actions on previously made awards, which would be subject to new OMB Super Circular requirements.	A,B				
F. For each major program, obtain the following information:	A				
1. Grant agreement, application or pass-through agreement and any amendments.					
2. Pertinent correspondence, including budget and program modifications.					
3. Financial reports.					
4. Reference material for clarification of grant/program Audit Objectives and compliance requirements.					
5. Identification of subrecipients, if applicable.					
6. Basis of accounting.					
7. Contact person.					
8. Account codes used to account for program activities.					
9. Names and addresses of grantors (direct and indirect).					
G. Include copies of pertinent information relating to major programs in the permanent file.					
H. Search for unlisted federal programs not previously identified.	A				
I. Review prior year audit reports to determine the nature of previous findings and questioned costs. Document the status of resolved and unresolved issues in the workpapers. Status will be included in the Agency's report in a Summary Schedule of Prior Audit Findings.	C				
J. If applicable, send a letter of understanding to the					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **SINGLE AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
cognizant agency.					
K. Compliance testing for major programs:					
1. Test compliance with applicable common requirements. (See following separate audit program sections.)					
2. Review Compliance Supplement for any special tests and provisions and perform appropriate procedures to ensure compliance.					
3. Report the following items in Part III of the Schedule of Findings and Questioned Costs in accordance with OMB Circular A-133 (par. 510):					
a. Significant deficiencies or material weaknesses in internal control over major programs.					
b. Material non-compliance with the provisions of laws, regulations, contracts or grant agreements related to a major program.					
c. Known or likely questioned costs which are greater than $10,000 for a type of compliance requirement for a major program. (Should include information to provide proper perspective for judging the prevalence and consequences of the questioned costs)					
d. Known questioned costs which are greater than $10,000 for a type of compliance requirement for a federal program which is not audited as a major program. (Note: except for audit follow-up, the auditor is not required to perform audit procedures for such federal programs.)					
e. The circumstances concerning why the auditor's report on compliance for major programs is other than an unmodified opinion, unless such circumstances are otherwise reported as findings.					
f. Known fraud affecting a federal award, unless such fraud is otherwise reported as a finding.					
g. Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresent the status of any prior audit finding.					
4. Report other findings in Part IV of the Schedule of Findings and Questioned Costs.					

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SINGLE AUDIT COMMON REQUIREMENTS

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
The following applicable common requirements should be tested in conjunction with the other tests of detail or through other appropriate tests:					
A. ACTIVITIES ALLOWED OR UNALLOWED:					
1. Identify the types of activities allowed and unallowed for the program(s) tested.					
2. If allowability is determined based upon summary level data, verify allowability of the activity and that individual transactions were properly classified and accumulated into the activity total.					
3. If allowability is determined based upon individual transactions, select a sample of transactions and verify allowability of the activity. Be alert for any large dollar transfers from program accounts which may have been used to fund unallowable activities.					
4. If the Agency is considered a pass-through entity, test a sample of approved subrecipient agreements to verify that the activities covered by the agreement are allowable.					
B. ALLOWABLE COSTS/COST PRINCIPLES:					
1. For transactions selected which involve federal funds determine whether the costs meet the following criteria:					
a. Authorized or not prohibited under state or local laws or regulations. (Certain costs require specific approval; others are not allowable.)					
b. Approved by the federal awarding agency, if required.					
c. Conform to any limitations or exclusions set forth in OMB Circulars (A-87, A-21, A-122), limitations in the program agreement or specific requirements in the program regulations.					
d. Costs must be allocable to the federal awards under the provisions of OMB Circulars (A-87, A-21, A-122).					
e. Represent charges for actual costs, not budgeted or projected amounts.					
f. Allocations of fringe benefits allocations, changes on rates are based on the benefits received by different classes of employees within the organization.					
g. Given consistent treatment with policies, regulations and procedures applied uniformly to federal and non-federal activities of the agency.					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
h. Given consistent accounting treatment within and between accounting periods and are not allocable to or included as a direct cost of a federal program if the same or similar costs are allocated to the federal program as an indirect cost.					
i. Calculated in conformity with generally accepted accounting principles or a different basis of accounting when required under the OMB Circulars.					
j. Not included as a cost or used to meet cost sharing or matching requirements of another federally supported activity in either the current or a prior period.					
k. Costs must be net of all applicable credits resulting from transactions that reduce or offset direct or indirect costs.					
l. Not included as both a direct billing and a component of indirect costs, i.e., excluded from costs pools included in cost allocation plans (CAPS.)					
m. Supported by underlying documentation.					
2. For grants subject to the OMB Super Circular, select transactions and determine whether the cost meets criteria established under the OMB Super Circular, including but not limited to, 2 CFR 200.309 and 2CFR 200.403.					
3. When material charges are made from internal service, central service, pension, or similar activities or funds, verify that the charges from these activities or funds are in accordance with the cost principal circulars.					
a. For activities accounted for in separate funds, ascertain if:					
1) Net position/fund balances (including reserves) were computed in accordance with the applicable cost principles.					
2) Working capital was not excessive in amount (generally not greater than 60 days for cash expenses for normal operations incurred for the period exclusive of depreciation, capital costs and debt principal costs).					
3) Refunds were made to the federal government for its share of any amounts transferred or borrowed from internal service or central service funds for purposes other than to meet the operating liabilities, including interest on debt, of the fund.					
b. Verify all users of services were billed in a					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
consistent manner.					
c. Verify the billing rates exclude unallowable costs.					
d. Verify, where billing rates are not accounted for in separate funds, billing rates are developed based on actual costs and were adjusted to eliminate profit.					
e. For organizations that have self-insurance and a certain type of fringe benefit programs (e.g. pension funds), verify independent actuarial studies appropriate for such activities are performed at least biennially and that current costs were allocated based on an appropriate study which is not over two years old.					
4. Cost Allocation Plans/Indirect Cost Rate Agreements					
Determine whether indirect costs or centralized or administrative services are being charged to federal programs. If such costs are being charged, perform the following procedures:					
a. Obtain and read the current Cost Allocation Plan (CAP) or negotiable agreement and determine the types of rates and procedures required.					
b. Obtain and read the current CAP and/or Indirect Cost Rate Agreement and determine the terms of the allocation plan and/or rate agreement in effect (i.e. predetermined, fixed with carryforward provisions or provisional/final).					
c. Verify the methods of charging costs to federal awards are in accordance with the provisions of the approved CAP or prepared CAP on file.					
d. Determine whether the CAP or Indirect Cost Rate Proposals (IDCRP) has been approved by the appropriate federal agency and whether the resultant rates or amounts charged are final or still open to adjustment or revision, either immediately or as a carry over adjustment in a future period. If approved and final, the results of the audit work shall be reflected, if appropriate, in recommendations for future procedural improvements.					
e. Examine claims submitted to the federal agency for reimbursement. Determine if the amounts charged and rates used are in accordance with the plan and if rates are being applied to the appropriate base.					
f. Review, on a test basis, supporting documentation to determine whether:					
1) The indirect cost pool or centralized service costs contain only allowable costs in					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
accordance with OMB Circulars (A-87, A-21, A-122).					
2) The methods of allocating the costs are in accordance with the provisions of Circular A-87, other applicable regulations and negotiated agreements.					
3) Statistical data in the proposed allocation or rate bases are reasonable, updated as necessary and do not contain any material omissions.					
4) Time studies or time and effort reports are mathematically and statistically accurate, are implemented as approved and are based on the actual effort devoted to the various functional and programmatic activities to which the salary and wage costs are charged.					
5) The allocation methodology is consistent and test the appropriateness of methods used to make changes.					
6) The indirect costs charged to federal programs are supported by amounts recorded in the accounting records from which the most recently issued financial statements were prepared.					
C. CASH MANAGEMENT:					
1. Review the Agency's cash forecasting or reimbursement process and evaluate for adequacy.					
2. Review the Agency's system for requesting federal funds and evaluate whether it is adequate to keep federal cash disbursements limited to the Agency's immediate needs.					
3. For selected grant programs, determine dates and amounts for selected advances, drawdowns and other receipts of federal funds and compare to the dates the funds were disbursed and/or checks were presented to the banks for payment.					
4. For the same programs, evaluate the size of the balances in relation to the program's needs.					
5. Review records to determine if interest was earned on advances and whether it was returned to the appropriate agency.					
6. Review the Agency's system for monitoring advances and payment requests by secondary recipients. Evaluate whether the system is sufficient to limit payments to amounts needed to meet immediate cash requirements.					
7. Review selected cash reports submitted by					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
subrecipients and determine if the reports show large amounts of excess cash. If they do, ascertain why.					
D. DAVIS-BACON ACT:					
1. Identify the programs involving construction activities.					
2. Review selected construction contracts and subcontracts and determine whether they contain provisions requiring the payment of "prevailing" wages. This is applicable to all construction contracts which exceed $2,000.					
3. Review the Agency's system for monitoring applicable contractors and subcontractors with respect to payment of prevailing wages and evaluate for adequacy.					
4. Review the monitoring system for contracts for selected programs and determine whether there is adherence to the prescribed procedures.					
5. For an Agency which has not developed a system or its system is not operating effectively:					
a. Obtain the "local" DOL wage determination from the Agency, the architect/engineer (A/E) managing the project or DOL.					
b. Obtain payroll registers of the construction company from the Agency and test to determine whether wages paid conform to prevailing wages.					
E. ELIGIBILITY:					
1. Individuals:					
a. For some federal programs with a large number of individuals receiving benefits, the Agency may use a computer system for processing of individual eligibility determinations and the delivery of benefits. U.S. generally accepted auditing standards provide guidance for the auditor when computer processing relates to accounting information that can materially affect the financial statements being audited. When eligibility is material to a major program and a computer system is integral to eligibility compliance, the auditor should follow this guidance and consider the Agency's computer processing.					
1) Perform audit procedures relevant to the computer system as needed to support the opinion on compliance for the major program(s).					
2) These tests may be performed as part of testing the internal controls for eligibility.					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
b. Perform procedures to determine completeness of the population.					
c. Select a sample of individuals receiving benefits and perform tests to determine if the:					
1) Individuals were eligible in accordance with the compliance requirements of the program. (Note: Some programs have initial and continuing eligibility requirements.)					
2) Benefits paid to or on behalf of the individuals were calculated correctly and in compliance with the requirements of the program.					
3) Benefits were discontinued when the period of eligibility expired or the person became ineligible.					
2. Group of Individuals or Area of Service Delivery:					
a. Test information used in determining eligibility and determine if the population or area of service delivery was eligible.					
b. Perform test to determine if:					
1) The population or area served was eligible.					
2) The benefits paid to or on behalf of the individuals or area of service delivery were calculated correctly.					
3. Subrecipients:					
a. If the determination of eligibility is based on an approved application or plan, obtain a copy of the document and identify the applicable eligibility requirements.					
b. Select a sample of the awards to the subrecipients and perform procedures to verify that the subrecipients were eligible and amounts awarded were within funding limits.					
F. <u>EQUIPMENT AND REAL PROPERTY</u>:					
1. For subrecipients of states that are local governments (Agencies):					
a. Obtain a copy of the Agency's policies and procedures for equipment management and determine if they comply with the state's policies and procedures.					
b. Select a sample of equipment transactions and test for compliance with the state's policies and procedures for management and disposition of equipment.					
2. For non-profit organizations and federal awards received directly from a federal awarding agency by					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
the Agency:					
a. Inquire if a required physical inventory of equipment acquired under federal awards was taken within the last two years. Test whether any differences between the physical inventory and equipment records were resolved.					
b. Identify equipment acquired under federal awards during the audit period and trace selected purchases to the property records. Verify the property records contain the following information about the equipment:					
1) Description (including serial numbers or other identification numbers).					
2) Source.					
3) Title holder.					
4) Acquisition date and cost.					
5) Percentage of federal participation in the cost.					
6) Location.					
7) Condition.					
8) Ultimate disposition data, including date of disposal, sale price or method used to determine fair market value.					
3. Select a sample of equipment identified as acquired with federal awards from the property records and observe the equipment.					
4. Disposition of Equipment					
a. Determine the amount of equipment dispositions for the year and identify equipment acquired with federal awards.					
b. Perform procedures to verify the dispositions were properly reflected in the property records.					
c. For equipment with a current per-unit fair market value in excess of $5,000, determine whether the awarding agency was reimbursed for the appropriate federal share.					
5. Disposition of Real Property					
a. Determine real property dispositions during the audit period and identify property acquired with federal awards.					
b. Perform procedures to verify the Agency followed the instructions of the awarding agency, which will normally require reimbursement to the awarding agency of the federal portion of net sales or fair market value at the time of disposition, as					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
applicable.					
G. MATCHING, LEVEL OF EFFORT, EARMARKING:					
• **Matching – includes requirements to provide contributions (usually non-federal) of a specified amount or percentage to match federal awards. Match may be in the form of cash or in-kind contributions.**					
• **Level of Effort – includes requirements for (a) a specified level of service to be provided from period to period, (b) a specified level of expenditures from non-federal or federal sources for specified activities to be maintained from period to period and (c) federal funds to supplement and not supplant non-federal funding of services.**					
• **Earmarking – includes requirements specifying the minimum and/or maximum amount or percentage of program funding that must/may be used for specified activities, including funds provided to subrecipients**.					
Matching					
1. Perform test to verify the required matching contributions were met.					
2. Determine the sources of matching contributions and perform tests to verify they were from an allowable source.					
3. Test records to corroborate the value placed on in-kind contributions are in accordance with OMB cost principal circulars, the A-102 Common Rule, program regulations and the terms of the award.					
4. Test transactions used to match for compliance with allowable costs/cost principles requirements. This test may be performed in conjunction with the testing of the requirements related to allowable cost/cost principles.					
Level of Effort					
1. Identify the required level of effort and perform tests to verify the level of effort requirement was met.					
2. Perform tests to verify only allowable categories of expenditures or other effort indicators (e.g., hours, number of people served) were included in the computation and the categories were consistent from year to year.					
3. Perform procedures to verify the amounts used in the computation were derived from the books and records from which the audited financial statements were					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
prepared.					
4. Perform procedures to verify non-monetary effort indicators were supported by official records.					
Level of Effort - Supplement not Supplant					
1. Determine if the Agency used federal funds to provide services which it was required to make available under federal, state or local law and were also made available by funds subject to the supplement not supplant requirement.					
2. Determine if the Agency used federal funds to provide services which were provided with non-federal funds in prior years.					
a. Identify the federally funded services.					
b. Perform procedures to determine whether the federal program funded services that were previously provided with non-federal funds.					
c. Perform procedures to determine if the total level of services applicable to the requirement increased in proportion to the level of federal contribution.					
Earmarking					
1. Identify the applicable percentage or dollar requirements for earmarking.					
2. Perform procedures to verify the amounts recorded in the financial records meet the requirements (e.g. determine records show at least the minimum amount was charged.)					
3. When requirements specify a minimum percentage or amount, select a sample of transactions supporting the specified amount or percentage and perform tests to verify proper classification to meet the minimum percentage or amounts.					
4. When requirements specify a maximum percentage or amount, review the financial records to identify transactions for the specified activity which were improperly classified in another account. (e.g. If administrative costs are limited to 10%, review other accounts charged to the activity for administrative expense which, if incorrectly coded, would cause maximum percentage to be exceeded).					
H. PERIOD OF AVAILABILITY OF FEDERAL FUNDS:					
1. Review the award documents and regulations pertaining to the program and determine any award specific requirements related to the period of availability and document the availability period.					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. Test a sample of transactions charged to the federal award after the end of the period of availability and verify the underlying obligations occurred within the period of availability and the payment was made within the allowed time period.					
3. Test a sample of transactions recorded during the period of availability and verify the underlying obligations occurred within the period of availability.					
4. Select a sample of adjustments to the federal funds and verify these adjustments were for transactions occurring during the period of availability.					
I. PROCUREMENT AND SUSPENSION AND DEBARMENT:					
For federal awards received directly from a federal awarding agency by the Agency:					
1. Obtain the Agency's procurement policies and verify the policies comply with applicable federal requirements.					
2. Determine if the Agency has a policy to use statutorily or administratively imposed in-state or local geographical preferences in the evaluation of bids or proposals. If such policy exists, verify these limitations were not applied to federal procurements except where applicable federal statutes expressly mandate or encourage geographical preference.					
3. Examine procurement policies and procedures and verify the following:					
a. Written selection procedures require solicitations incorporate a clear and accurate description of the technical requirements for the material, product or service to be procured, identify all requirements the offer must fulfill and include all other factors to be used in evaluating bids or proposals.					
b. There is a written policy pertaining to ethical conduct.					
4. Select a sample of procurements and perform the following:					
a. Examine contract files and verify they document the significant history of the procurement, including rationale for the method of procurement, selection of contract type, contractor selection or rejection and the basis of contract price.					
b. Verify procedures provide for full and open competition.					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
c. Examine documentation in support of the rationale to limit competition in those cases where competition was limited and determine if the limitation was justified.					
d. Examine contract files and determine a cost or price analysis was performed in connection with procurement actions, including contract modifications, and this analysis supported the procurement action.					
e. Verify the awarding federal agency approved procurements exceeding $100,000 when such approval was required. Procurements (1) awarded by non-competitive negotiations, (2) awarded when only a single bid or offer was received, (3) awarded to other than the apparent low bidder or (4) specifying a "brand name" product require prior federal awarding agency approval.					
The following only apply to states and federal awards subgranted by the state to the Agency.					
1. Test a sample of procurements to determine if the state's laws and procedures were followed and the policies and procedures used were the same as for state funds.					
The following procedures apply to all non-federal entities.					
1. Test a sample of procurements and subawards to determine if the Agency performed a verification check for covered transactions by checking the System for Award Management (SAM) website (www.sam.gov), collecting a certification from the Agency or adding a clause or condition to the covered transaction with the Agency.					
2. Test a sample of procurement and subawards against SAM and determine if contracts or subawards were awarded to suspended or debarred parties.					
J. PROGRAM INCOME:					
1. Identify any program income.					
a. Review laws, regulations and the provisions of contract and grant agreements applicable to the program and determine if program income was anticipated and, if so, the requirements for recording and using program income.					
b. Inquire of management and review accounting records to determine if program income was received.					

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2. Perform tests to verify all program income was properly recorded in the accounting records.					
3. Perform tests to determine if program income was used in accordance with the program requirements.					
K. REAL PROPERTY ACQUISITION AND RELOCATION ASSISTANCE:					
1. Determine whether the Agency is administering a federal or federally-assisted program involving the acquisition of property or the displacement of households or businesses.					
2. Property Acquisition:					
a. Appraisal – test records to verify:					
1) The just compensation amount offered the property owner was determined by an appraisal process.					
2) The appraisal(s) was examined by a review appraiser.					
3) The review appraiser prepared a signed statement which explains the basis for adjusting comparable sales to reach the review appraiser's determination of the fair market value.					
b. Negotiations – verify from supporting documentation:					
1) A written offer of the appraised value was made to the property owner.					
2) Written justification was prepared if the purchase price for the property exceeded the amount offered and the documentation (e.g. recent court awards, estimated trial cost, etc.) supports such administrative settlement as being reasonable, prudent and in the public interest.					
c. Residential Relocations – verify from supporting documentation the non-federal entity made available to the displaced persons one or more comparable replacement dwellings.					
3. Replacement Housing Payments – Examine the Agency's records to verify and determine if there is documentation supporting the following:					
a. The owner occupied the displacement dwelling for at least 180 days immediately prior to initiation of negotiations.					
b. The Agency examined at least three comparable replacement dwellings available for sale and computed the payment on the basis of the price of the dwelling most representative of the					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
displacement dwelling.					
c. The asking price for the comparable dwelling was adjusted, to the extent justified by local market data, to recognize local area selling price reductions.					
d. The allowance for increased mortgage costs "buy down" amounts was computed based on the remaining principal balance, the interest rate and the remaining term of the old mortgage on the displacement dwelling.					
e. The Agency prepared written justification on the need to employ last resort housing provisions if the total replacement housing payment exceeded $22,500.					
4. Rental or Downpayment Assistance – Examine the Agency's records to determine if there is documentation to support the following:					
a. The displacee occupied the displacement dwelling for at least 90 days immediately prior to initiation of negotiations.					
b. The displacee rented, or purchased, and occupied a decent, safe and sanitary replacement dwelling within one year.					
c. The Agency prepared written justification if the payment exceeded $5,250.					
5. Business Relocations					
a. Moving expenses - Verify payments for moving and related expenses were for actual costs incurred or fixed payments in lieu of actual costs were limited to a maximum of $20,000 and were computed based on the average annual net earnings of the business as evidenced by income tax returns, certified financial statements or other reliable evidence.					
b. Business Reestablishment Expense - Verify (1) the displacee was eligible as a farm operation, non-profit organization or a small business to receive reestablishment assistance and (2) the payment was for actual costs incurred and did not exceed $10,000.					
L. REPORTING:					
1. Review applicable laws, regulations and the provisions of contract and grant agreements pertaining to the program for reporting requirements.					
2. Determine the types and frequency of required reports.					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
3. Obtain and review instructions from the federal awarding agency or pass-through entity, in the case of a subrecipient, for completing the reports.					
a. For financial reports, determine the accounting basis used in reporting the data (i.e. cash or accrual).					
b. For performance and special reports, determine the criteria and methodology used in compiling and reporting the data.					
4. Perform appropriate analytical procedures and determine the reason for any unexpected differences. Examples of analytical procedures include:					
a. Comparing current period reports to prior periods.					
b. Comparing anticipated results to the data included in the reports.					
c. Comparing information obtained during the audit of the financial statements to the report.					
5. Select a sample of each of the following reports.					
a. Financial reports:					
1) Determine if the financial reports were prepared in accordance with the required accounting basis.					
2) Trace the amounts reported to accounting records supporting the audited financial statements and the Schedule of Expenditures of Federal Awards and verify agreement.					
b. Performance reports:					
1) Trace data to records accumulating and summarizing data.					
2) Perform tests of the underlying data to verify the data was accumulated and summarized in accordance with the required or stated criteria and methodology.					
c. When intervening computations or calculations are required between the records and the reports, trace reported data elements to supporting worksheets or other documentation linking reports to data.					
d. Test mathematical accuracy of reports and supporting worksheets.					
6. Test selected reports for completeness:					
a. For financial reports, review accounting records and determine if all applicable accounts were					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
included in the sampled reports.					
b. For performance and special reports, review supporting records and determine if all applicable data elements were included in the sampled report.					
7. Obtain written representation from management the reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the federal awarding agency or pass-through entity in the case of a subrecipient.					
M. SUBRECIPIENT MONITORING:					
1. Review the Agency's subrecipient monitoring policies and procedures and discuss with the Agency's staff to gain an understanding of the scope, frequency and timeliness of monitoring activities, including the number, size and complexity of awards to subrecipients.					
2. Test award documents to determine if the Agency makes subrecipients aware of the award information and requirements imposed by law, regulations and the provisions of contract and grant agreements and the activities approved in the award documents were allowable.					
3. Review the Agency's documentation of during-the-award subrecipient monitoring to determine if the Agency provides reasonable assurance subrecipients used federal funds for authorized purposes, complied with laws and regulations, provisions of contracts and grant agreements and achieved performance goals.					
4. Review the Agency's follow-up to ensure corrective action on deficiencies noted during the award monitoring.					
5. Verify the Agency receives audit reports from subrecipients required to have an audit in accordance with OMB Circular A-133, issues timely management decisions on audit and monitoring findings and requires subrecipients to take timely corrective action on deficiencies identified in audit and subrecipient monitoring.					
6. Verify the Agency took appropriate action using sanctions in cases of continued inability or unwillingness of a subrecipient to have required audits.					
7. Verify the effects of subrecipient noncompliance are properly reflected in the Agency's records.					

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PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
8. Document the Agency's procedures for monitoring subrecipients which are not required to have an A-133 audit (total expenditures of federal awards of less than $500,000). Review the procedures for reasonableness and adequacy.					
9. For grants subject to the OMB Super Circular, review award documents to ensure the Agency made subrecipients aware of information required and evaluated each subrecipient's risk of non-compliance.					
N. SPECIAL TESTS AND PROVISIONS:					
1. Review the laws, regulations and provisions of grant and contract agreements to identify special tests and provisions.					
2. Develop procedures to test these requirements.					
O. MISCELLANEOUS PROVISIONS:					
1. If the Agency is a pass-through agency of federal funds, ensure the appropriate receipts/revenues and disbursements/expenditures are recognized in compliance with GASB 24.					
2. Prepare the Data Collection Form. (The Federal programs listed in Part III of the Schedule of Findings and Questioned Costs should be in the same order as the Schedule of Expenditures of Federal Awards and any program with ARRA funds should be listed on a separate line and include the prefix "ARRA - " in the federal grant program name).					
3. Prepare notification letters to pass-through entities not required to receive a reporting package.					
4. Obtain Corrective Action Plan for Federal Audit Findings from the Agency (prepared on Agency letterhead) and review for propriety.					
5. Obtain Summary Schedule of Prior Federal Audit Finding from the Agency (prepared on Agency letterhead) and review for propriety.					
6. Determine if risk of material misstatement due to fraud or error has changed based on results of substantive tests performed. If so, perform appropriate procedures.					

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June 30, 2015 **SINGLE AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION:					
We have performed procedures sufficient to achieve the audit objectives for single audit and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **BUDGET**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives:					
A. The budget was properly adopted and the Agency complied with legal requirements.					
Audit Procedures:					
A. Examine publication in newspapers for public hearing on the proposed budget in accordance with Chapter 273.3(12) of the Code of Iowa.					
B. Obtain copy of budget approved by the Department of Education.					
C. 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.					
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION:					
We have performed procedures sufficient to achieve the audit objectives for budget and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

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June 30, 2015 **EARLY CHILDHOOD IOWA AREA BOARD**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives:					
A. To audit the Early Childhood Iowa Area Board's financial activity in accordance with Chapter 256I.5 of the Code of Iowa and the State Early Childhood Iowa Board approved procedures.					
Audit Procedures:					
A. Identify if the Agency is the fiscal agent for an Early Childhood Iowa Area Board (also known as an Empowerment Board).					
B. Review the audit requirements of Chapter 256I.5 of the Code of Iowa pertaining to Early Childhood Iowa Area Boards:					
1. An Area Board with $500,000 or more of federal expenditures is required to receive a Single Audit in accordance with OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. (Note: The early childhood funding is federal and the school ready funding is state.)					
2. An Area Board with less than $500,000 in federal expenditures may choose to have the State Board approved procedures performed in conjunction with the audit of the Agency (fiscal agent).					
C. Discuss with responsible officials of the Area Board the audit requirements for the Area Board's financial activity.					
1. Document name of responsible officials.					
2. Document the Area Board's decision for conducting a separate audit or procedures performed with the Agency's audit.					
3. Discuss billing arrangements.					
D. If procedures are to be performed as a part of the Agency's audit, discuss with the appropriate Agency officials.					
E. Perform the State Board approved procedures, including:	A				
(Note: State Board approved procedures are available at http://www.state.ia.us/earlychildhood/files/toolkit_tools/Tool_UU.pdf)					
1. Internal controls					
a. Gain an understanding of the programs administered by the Area Board.					
b. Review relevant policies and procedures established by the Area Board.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **EARLY CHILDHOOD IOWA AREA BOARD**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
c. Review and document the Area Board's internal controls. Controls to be reviewed include the following transaction cycles/areas: 1) Receipts. 2) Disbursements. 3) Monitoring of provider contracts. 4) Eligibility determinations. 5) Annual financial reporting.					
2. Obtain the Area Board's summary of financial data included in the annual report. Verify for accuracy and trace to the underlying accounting records. (Note: The annual report is required to be prepared on a GAAP basis.)					
3. Confirm state receipts and trace amounts into the accounting records. Verify the receipts have been properly distributed between the early childhood and school ready programs.					
4. Select disbursement items and test for the following: a. The disbursement was properly authorized. b. The disbursement is properly supported. (Note: Provider contracts should be reviewed to ensure documentation requirements are met.) c. The disbursement was charged to the proper program and funding category. See "tools" at http://www.state.ia.us/earlychildhood/local_system/Tools/tool_kit_tools_new.html which document the allowable activities of each program/funding category. 1) Early Childhood program (Tool G) – Funding categories: • Administrative • Program 2) School Ready program (Tool G) - Funding categories: • Family support and parent education (Tool FF) • Preschool tuition assistance (Tool CC) • Quality improvement (Tool II) • General Aid (Administrative and other services) (Tool G) d. Scan disbursements for unusual items and items which do not appear to meet or be in agreement with how the funds are to be spent. Investigate and report accordingly.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **EARLY CHILDHOOD IOWA AREA BOARD**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
5. Fund balances:					
a. Verify the fund balances by category reported on the summary of financial data agree with the financial records maintained by the Agency.					
b. Recalculate the amount of carry forward for the school ready funding reported by the Area Board and determine if the amount exceeded 20%. (Note: A carry forward exceeding 20% will result in a reduction to the next year's school ready allocation.)	A				
c. Review the fund balances by category for deficits and report accordingly.					
6. Completion of audit:					
a. Include the Area Board's summary of financial data in a footnote disclosure.	A				
b. Include comments and recommendations for internal control weaknesses noted (significant deficiencies and material weaknesses).					
c. Include statutory comment regardless of whether there are instances of non-compliance.					
d. Conduct an exit conference with Area Board officials.					
e. Summarize and evaluate misstatements noted during the audit.					
f. Obtain signatures on the representation letter.					
g. Submit an electronic (PDF format) copy of the audit report, including the management letter(s), if issued separately, to the Iowa Department of Management by email attachment to Shanell.wagler@iowa.gov.					
F. 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.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **EARLY CHILDHOOD IOWA AREA BOARD**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION:					
We have performed procedures sufficient to achieve the audit objectives for the Early Childhood Iowa Area Board and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **COMPLETION OF AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
Audit Objectives and Related Assertions:					
A. Written representations have been obtained from responsible officials.					
B. Misstatements discovered during the audit have been evaluated.					
C. Financial statements are fairly presented and disclosures are adequate. (10,11,12,13).					
D. The effect on the auditor's report of GAAP departures, scope limitations, uncertainties, other auditors or other matters has been evaluated.					
E. Significant deficiencies and material weaknesses have been summarized and communicated to the appropriate parties.					
F. Significant commitments, contingencies and subsequent events that may require disclosure have been identified. (10,11,12,13)					
Audit Procedures:					
A. Inquire as to whether all funds have been brought to our attention.					
B. Identify any commitments, contingencies and subsequent events that may require disclosure.	F				
1. In connection with litigation and claims, perform the following procedures:					
a. Obtain from Agency officials a description and evaluation of litigation and asserted and unasserted claims.					
b. Examine documents in the Agency's possession concerning the above matters.					
c. Review invoices for legal services and consider whether any other matters in addition to the above were disclosed during the course of the audit.					
d. Review attorney's letter for matters requiring disclosure.					
2. Review minutes to the end of field work for subsequent events.					
3. Inquire of Agency officials about the existence of material subsequent transactions or events and significant matters unresolved at year end.					
4. Scan records subsequent to period under audit for significant unusual receipts, payments and non-standard entries.					
C. Determine if footnote disclosure is needed and obtain documentation for the following items (For Agencies with unusual types of activities, consider reviewing the AICPA disclosure checklist):	C,F				

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **COMPLETION OF AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
1. Lease commitments (capital and operating leases).					
2. Construction commitments.					
3. Contracts.					
4. Termination Benefits.					
5. OPEB and pension benefits.					
6. Subsequent events.					
7. Lawsuits.					
8. Other commitments and contingencies (including outstanding indebtedness of others guaranteed by the Agency, moral obligations and no-commitment debt).					
9. Health insurance trust.					
10. Relationships with organizations other than component units:					
a. Related organizations.					
b. Joint ventures.					
c. Jointly governed organizations.					
d. Component units and related organizations with joint venture characteristics.					
e. Pools.					
f. Undivided interests.					
g. Cost-sharing arrangements.					
11. Accumulated depreciation/depreciation expense (GASB 34)					
12. Other pertinent information.					
D. Summarize and evaluate misstatements noted during the audit, if any.	B				
1. Determine whether uncorrected misstatements are material, individually or in the aggregate. Consider the following: (AU 450.11)					
a. the size and nature of the misstatements, both in relation to particular classes of transactions, account balances or disclosures and the financial statements as a whole, and the particular circumstances of their occurrence and,					
b. the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures and the financial statements as a whole.					
2. In communicating misstatements to management, the auditor should: (AU 450.07-.10)					
a. Request management to examine the entire class of transactions, account balance or disclosure to identify and correct misstatements in cases where the auditor evaluates the amount of likely misstatement from a sample as material.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **COMPLETION OF AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
b. Request management to review the assumptions and methods used in developing management's estimate in those cases where the auditor has identified a likely misstatement involving differences in estimates used by management.					
c. Reevaluate the amount of likely misstatement after management has performed a. and b. above.					
d. Obtain an understanding of management's reasons for not making corrections of known or likely misstatements and take into account when evaluating if the misstatement is material.					
E. Document the reconciliation of the financial statements to accounting records.					
F. Obtain the Agency's concurrence on proposed adjusting journal entries.					
G. Determine and document whether there could be substantial doubt about the Agency's ability to continue as a going concern. (AU 570)	D				
H. Determine and document the type of opinion rendered for each opinion unit and on compliance, if applicable. Document reasons for variances from unmodified opinions and discuss the reasons with those charged with governance.	C,D				
I. Summarize significant deficiencies and material weaknesses, including those communicated in previous audits which have not yet been remediated and include in written communication to management and those charged with governance no later than 60 days following the report release date. (AU 265.11-.13)	E				
1. Indicators of material weaknesses in internal control include the following (AU 265.09-.10):					
a. Identification of fraud, whether or not material, on the part of senior management.					
b. Restatement of previously issued financial statements to reflect the correction of a material misstatement due to fraud or error.					
c. Identification by the auditor of a material misstatement in the financial statements under audit in circumstances which indicate the misstatement would not have been detected by the Agency's internal control.					
d. Ineffective oversight of the Agency's financial reporting and internal control by those charged with governance.					
J. Determine information presented as other information in the statistical section of a Comprehensive Annual Financial Report (CAFR) complies with GASB 44 requirements.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **COMPLETION OF AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
K. Perform a retrospective review of significant accounting estimates reflected in the prior year financial statements and consider whether the underlying assumptions in the prior year indicate a possible bias on the part of management. Consider whether the results of the review provide additional information about possible bias in making current year estimates. If possible bias is identified, evaluate whether the circumstances represent a risk of material misstatements due to fraud. (AU 240.32)					
L. Determine whether the comparability of the financial statements between periods has been materially affected by a change in accounting principle or by adjustments to correct a material misstatement in previously issued financial statements. (AU 708)					
M. Evaluate and document the business rationale for significant unusual transactions. (AU 240.32)					
N. Draft audit report, including opinions, financial statements, notes, required supplementary information, supplementary information and other reports. Determine preparation of the draft audit report will not impair independence.	C,E				
O. Send the draft financial statements to the Agency and obtain the Agency's approval:					
1. Date sent to Agency _____					
2. Date Agency approved _____					
P. Perform the following procedures related to supplementary information (SI) as required by AU 725.05 and AU 725.07:					
1. Determine all of the following conditions are met when determining the SI presented is fairly stated, in all material respects, in relation to the financial statements as a whole:					
a. The SI was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.					
b. The SI relates to the same period as the financial statements.					
c. The financial statements were audited and the auditor served as the principal auditor in that engagement.					
d. Neither an adverse opinion or disclaimer of opinion was issued on the financial statements.					
e. The SI will accompany the Agency's audited financial statements or such audited financial statements will be made readily available by the Agency.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **COMPLETION OF AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. The following procedures should be performed using the same materiality level used in the audit of the financial statements:					
a. Inquire of management about the purpose of the SI and the criteria used by management to prepare the SI.					
b. Determine whether the form and content of the SI complies with the applicable criteria.					
c. Obtain an understanding about the methods of preparing the SI and determine whether the methods have changed from those used in the prior year and the reasons for any such changes.					
d. Compare and reconcile the SI to the underlying accounting and other records used in preparing the financial statements.					
e. Inquire of management about any significant assumptions or interpretations underlying the measurement or presentation of the SI.					
f. Evaluate the appropriateness and completeness of the SI considering the results of the procedures performed and other knowledge obtained during the audit of the financial statements.					
Q. Perform the following limited procedures to Required Supplementary Information (RSI), as required by AU 730.05:					
1. Inquire of management about the methods used in preparing the information.					
a. Whether RSI has been measured and presented in accordance with prescribed guidelines.					
b. Whether methods of measurement or presentation changed from those used in the prior year and the reasons for any such changes.					
c. Whether there are any significant assumptions or interpretations underlying the measurement or presentation of the information.					
2. Compare the information for consistency with management's responses to the foregoing inquiries, the basic financial statements and other knowledge obtained during the audit of the basic financial statements.					
R. Review the reasonableness of Management's Discussion and Analysis, which is limited to the following required elements: (GASB 34 par. 11)					
1. A brief discussion of the basic financial statements, including the relationships of the statements to each other and the significant differences in the information they provide.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **COMPLETION OF AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. Condensed financial information derived from entity-wide financial statements comparing the current year to the prior year.					
3. An analysis of the Agency's overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year's operations.					
4. An analysis of balances and transactions of individual funds. The analysis should address the reasons for significant changes in fund balances or fund net position and whether restriction, commitments or other limitations significantly affect the availability of fund resources for future use.					
5. An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the General Fund.					
6. A description of significant capital asset and long-term debt activity during the year, including commitments made for capital expenditures, changes in credit ratings and debt limitations that may affect the financing of planned facilities or services.					
7. If applicable, a discussion of the modified approach to report some or all of the infrastructure assets.					
8. A description of currently known facts, decisions or conditions expected to have a significant effect on financial position or results of operations.					
S. For other information included in the audited financial statements (such as the introductory and statistical sections in CAFR audits) (AU 720):					
1. Read the other information to identify possible material inconsistencies with the audited financial statements or apparent material misstatements of facts and follow the guidance if either is identified.					
2. Communicate with those charged with governance any procedures performed and the results.					
T. Perform analytical procedures for overall review of financial statements. Document the consideration of the following:	C				
1. The adequacy of evidence gathered in response to unusual or unexpected balances identified in planning the audit or in the course of the audit.					
2. Unusual or unexpected balances or relationships not previously identified.					
U. Conduct an exit conference with the Agency, including its audit committee, if possible, and discuss the following:	E				
1. Report findings.					
2. Non-report findings.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **COMPLETION OF AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
3. Audit and accounting problems that may affect the audit bill.					
V. Obtain written representations signed by the appropriate officials.	A				
1. Modify, as necessary, for related party/business transactions, federal financial assistance representations, obsolete inventories, work of a specialist, supplementary information, required supplementary information and/or other items.					
2. Prepared on the Agency's letterhead.					
3. Dated same date as the auditor's reports as determined in AU 700.41.					
W. Complete the budget and time summary, including explanation of significant variances from budget and recommendations for next year.					
X. Determine the appropriate date of the auditor's reports. In accordance with AU 700.41, the auditor's report should not be dated earlier than the date on which the auditor has obtained sufficient evidence to support the opinion. Sufficient evidence includes evidence the audit documentation has been reviewed and the financial statements, including disclosures, have been prepared and management has asserted it has taken responsibility for the financial statements.					
Y. Determine and include footnote disclosures, if necessary, for subsequent events occurring between end of fieldwork and the date of the auditor's report. (May require verbal update of attorney letter, review of subsequent minutes and auditee inquiry).	F				
Z. Submit the Data Collection Form and reporting package to the Federal Clearinghouse within 30 days after issuance of the audit report.					
AA. Major Federal Program Subsequent Events					
1. Perform procedures up to the report date to identify subsequent events related to the Agency's compliance during the period covered by auditor's report on compliance:					
a. Inquire of management.					
b. Review relevant internal audit reports issued during the subsequent period.					
c. Review other auditors' reports issued during the subsequent period.					
d. Review grantors' and pass through entities' reports issued during the subsequent period.					
e. Review information about noncompliance obtained through other professional engagements performed for the Agency.					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **COMPLETION OF AUDIT**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
2. If the auditor becomes aware of noncompliance occurring in the subsequent period of such a nature and significance its disclosure is needed to prevent report users from being misled, discuss the matter(s) with management and those charged with governance and include an explanatory paragraph describing the nature of the noncompliance in the auditor's report.					
ALTERNATE/ADDITIONAL PROCEDURES:					
CONCLUSION:					
We have performed procedures sufficient to achieve the audit objectives for completion of audit and the results of these procedures are adequately documented in the accompanying workpapers.					
Incharge _____ Date _____					
Manager _____ Date _____					
Independent Reviewer _____ Date _____					

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **AUDIT AND ACCOUNTING PROBLEMS**

Description of Problem	Disposition	Additional Time Required	If billable, discussed with whom/when

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **CONFERENCES**

Date	Attendees/Topic	Time	
		Charged to	Amount

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

SIGNIFICANT FINDINGS FROM THE AUDIT

IN ATTENDANCE:

Agency		Auditor	
Name	Title	Name	Title

The auditor should communicate significant findings from the audit with those charged with governance, including the following matters (AU 250.21, AU 260.12 through AU 260.14)

(A) Accounting Policies

Significant accounting policies used by the Agency are described in Note 1 to the financial statements. Except as noted below, no new accounting policies were adopted and the application of existing policies was not changed during the fiscal year. Except as noted below, we noted no instances where an otherwise acceptable accounting practice is not appropriate to the circumstances of the Agency.

Exceptions:

(B) Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility future events affecting them may differ significantly from those expected. We evaluated key factors and assumptions used in the significant estimates used by the Agency in determining the reasonableness in relation to the financial statements taken as a whole.

List significant estimates:

(C) Difficulties Encountered in Performing the Audit

Except as noted below, we encountered no significant difficulties in dealing with management in performing and completing our audit.

Exceptions:

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

SIGNIFICANT FINDINGS FROM THE AUDIT

(D) Nonaudit Services

We have met the requirements for performing nonaudit services under paragraph 3.37 and 3.39 of the 2011 Yellow Book. Except as noted below, there were no such nonaudit services provided.

Exceptions:

(E) Uncorrected Misstatements

We have provided management with a listing of all uncorrected misstatements identified during the audit in the management representation letter. In our judgment, none of the uncorrected misstatements, either individually or in the aggregate, indicate matters that could have a significant effect on the Agency's financial reporting process.

(F) Disagreements with Management

Professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting or auditing matter that could be significant to the financial statements or the auditor's report. Except as noted below, no such disagreements arose during the course of our audit.

Exceptions:

(G) Corrected Misstatements

The following corrected misstatements were brought to the attention of management as a result of audit procedures performed:

(H) Consultation with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine the consultant has all the relevant facts. Except as noted below, there were no such consultations with other accountants.

Exceptions:

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

SIGNIFICANT FINDINGS FROM THE AUDIT

(I) Significant Issues

Significant issues arising from the audit that were discussed, or were the subject of correspondence, with management.

List any significant issues:

(J) Comments

We have provided our written comments and recommendations regarding the Agency's financial statements and operations, including matters involving noncompliance with laws and regulations.

Acknowledgement:

Governing Body Representative

Date

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

ITEMS FOR COMMENT-
STATUTORY AND OTHER LEGAL MATTERS

W/P Ref.	Item Description	Prior Year? Y	Prior Year? N	In Compliance? Y	In Compliance? N	Report Non-Compliance Material 1	Report Non-Compliance Non-Material 2	Comment Number	Non-Report
	Required:								
	Budget								
	Questionable Expenditures/Disbursements								
	Travel Expense								
	Business Transactions								
	Bond Coverage								
	Council Minutes								
	Deposits and Investments								
	Revenue Bonds/Notes (if applicable)								
	Categorical Funding								
	Early Childhood Iowa Area Board (if applicable)								
	Other non-compliance:								

1 – Reported in Findings Related to the Basic Financial Statements
2 – Reported in Other Findings Related to Required Statutory Reporting

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

ITEMS FOR COMMENT-
STATUTORY AND OTHER LEGAL MATTERS

W/P Ref.	Item Description	Prior Year? Y	Prior Year? N	In Compliance? Y	In Compliance? N	Report Non-Compliance Material 1	Report Non-Compliance Non-Material 2	Comment Number	Non-Report
	Other non-compliance (continued):								

1 – Reported in Findings Related to the Basic Financial Statements
2 – Reported in Other Findings Related to Required Statutory Reporting

The following guidance should be used by the auditor to evaluate the control deficiencies identified (AU 265):

Definitions:

Deficiency in Internal Control – exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis.

Significant Deficiency – a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Material Weakness – a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Reasonable Possibility – exists when the likelihood of the event is either reasonably possible (chance of future event or events occurring is more than remote but less than likely) or probable (future event or events are likely to occur).

Magnitude – refers to the extent of the misstatement that could have occurred, or that actually occurred, since misstatements include both potential and actual misstatements.

Factors affecting the magnitude of a misstatement that might result from a deficiency or deficiencies include, but are not limited to, the following:

- The financial statement amounts or total of transactions exposed to the deficiency.
- The volume of activity (in the current period or expected in future periods) in the account or class of transactions exposed to the deficiency.

Risk factors affecting whether there is a reasonable possibility a deficiency, or a combination of deficiencies, will result in a misstatement of any account balance or disclosure. The factors include, but are not limited to, the following:

- The nature of the financial statement accounts, classes of transactions, disclosures and assertions involved.
- The cause and frequency of the exceptions detected as a result of the deficiency, or deficiencies, in internal control.
- The susceptibility of the related asset or liability to loss or fraud.
- The subjectivity, complexity or extent of judgment required to determine the amount involved.
- The interaction or relationship of the control(s) with other controls.
- The interaction with other deficiencies in internal control.
- The possible future consequences of the deficiency, or deficiencies, in internal control.
- The importance of the controls to the financial reporting process.

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **ITEMS FOR COMMENT-**

							Evaluate Internal Control Deficiencies (D/C)							Evaluate Noncompliance (I/N)			
							Material Weakness (if A and B = Yes)				Significant Deficiency		Non-report Deficiency In Internal Control	Non-Compliance Material?		Non-Report	Report Comment Number
W/P Ref	Description	Prior Year Y	Prior Year N	D/C	I/N	CFDA #(s)	A Y	A N	B Y	B N	C Y	C N		Y	N		

D/C = Deficiency in internal control
I/N = Instances of non-compliance
A = Reasonable possibility a misstatement or noncompliance may occur and not be detected/corrected
B = Magnitude of the potential misstatement is material, either quantitatively or qualitatively
C = Deficiency is less severe than a material weakness, yet merits attention of those charged with governance.

When evaluating the above internal controls deficiencies (D/C):

1) (AU 265.09) Did the auditor determine whether multiple deficiencies which affect the same significant account or disclosure, relevant assertion, or component of internal control (if applicable), may, in combination, constitute a significant deficiency or a material weakness? _____ Yes

2) (AU 265.10) For a deficiency or combination of deficiencies not considered a material weakness by the auditor, did the auditor consider whether prudent officials having knowledge of the same facts or circumstances, would likely reach the same conclusion? _____ Yes

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **ITEMS FOR NEXT YEAR**

No.	W/P Ref.	Item	Disposition	Approved

AUDIT DIFFERENCE EVALUATION FORM BY OPINION UNIT

	Initial	Date
Prepared By		
Reviewed By		

Name of Agency **Sample AEA** Fiscal Year Ended 6-30-15

Opinion Unit _____

This form should be used to accumulate known audit differences by opinion unit detected by non-sampling substantive tests (including differences in accounting estimates) and projected audit differences from substantive tests that used sampling. A separate Audit Difference Evaluation Form should be maintained for each opinion unit. Use whole dollars only.

			Financial Statements Effect - Amount of Over (Under) Statement of:							
Description (Nature) of Audit Difference	Amount	Work-paper Ref.	Total Assets	Total Liab.	Fund Equity	Revenues	Expend.	Excess of Rev. over Expend. (a)	Working Cap. (b)	Mgr. Appr.
Unadjusted audit differences - this year										
Effect of unadjusted audit differences - last year										
Net audit difference										
Financial statement caption totals										
Net audit differences as a % of F/S captions										

(a) For a proprietary fund type, this column would show the effect on net income. Planning Materiality $_____

(b) This column would only be used for a proprietary fund type.

Are any of the audit differences identified above indicative of fraud? (If yes, contact the Manager.) Yes _____ No _____

Are any of the audit differences qualitatively material? (If yes, contact the Manager.) Yes _____ No _____

Are the audit differences individually or in the aggregate material? Yes _____ No _____

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

OPINION, DISCLOSURE AND OTHER REPORT INFORMATION

A. Independent Auditor's Report on the financial statements:

1. Type of opinion rendered for each opinion unit and reason for modification of opinion, if applicable:

☐ Governmental Activities	U	Q	D	A
☐ Business Type Activities	U	Q	D	A
☐ Major Fund – General	U	Q	D	A
☐ Major Fund -	U	Q	D	A
☐ Major Fund -	U	Q	D	A
☐ Major Fund -	U	Q	D	A
☐ Major Fund -	U	Q	D	A
☐ Major Fund -	U	Q	D	A
☐ Additional Major Fund	U	Q	D	A
☐ Additional Major Fund	U	Q	D	A
☐ Aggregate Remaining Fund Information	U	Q	D	A
☐ Aggregate Discretely Presented Component Units	U	Q	D	A

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

OPINION, DISCLOSURE AND OTHER REPORT INFORMATION

2. Reliance on opinion of other auditors properly included in the Independent Auditor's Report Y N N/A

3. Required Supplementary Information (RSI) - Disclaim an opinion on the unaudited information (AU 730) (check applicable):

☐ MD&A ☐ Budgetary Comparison ☐ OPEB - Funding Progress
☐ Proportionate Share Of Net Pension Liability ☐ Contributions Schedule
Other _____

4. Supplementary information (SI) accompanying basic financial statements - Include an "in relation to" opinion (AU 725) (check if applicable):

☐ Schedules #1 to #___ (including SEFA Schedule – Y or N/A)

Prior year information audited by whom and type of opinion(s) rendered (for multiple opinions, please describe in the space below):

Years:

☐ _____ AOS U Q D A

☐ _____ Other auditors U Q D A

_____

_____

5. Other information (OI) (Normally applicable only for CAFR audits) – Disclaim an opinion on the unaudited information (AU 720) (check applicable):

☐ Introductory section ☐ Statistical section

☐ Other _____

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

OPINION, DISCLOSURE AND OTHER REPORT INFORMATION

W/P Ref.	Item	Note No.
	B. Notes to Financial Statements:	
	Summary of Significant Accounting Policies	1
	Cash and Pooled Investments	2
	Capital Assets	
	Due to Other Governments	
	Lease Purchase Agreements	
	Bonds/Notes Payable	
	Changes in Long-Term Debt	
	Termination Benefits	
	Pension and Retirement Benefits - IPERS	
	Pension and Retirement Benefits (other than IPERS)	
	Other postemployment Benefits (OPEB)	
	Due From and Due to Other Funds	
	Risk Financing	
	Commitments	
	Contingencies	
	Subsequent Events	
	Interfund Transfers	
	Prior Period Adjustments	
	Early Childhood Iowa Area Board (if applicable)	
	Other:	

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

OPINION, DISCLOSURE AND OTHER REPORT INFORMATION

Y = Yes
N = No
N/A = Not Applicable

C. IAR on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards (separately issued F/S):

1.	Instances of material non-compliance	Y N	GF-12s
2.	Instances of non-material non-compliance	Y N	GF-12s
3.	No instances of non-compliance	Y N	GF-12s
4.	Significant deficiencies	Y N	GF-12s
5.	Material weaknesses	Y N	GF-12s

D. IAR on Compliance with Requirements For Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133:

1.	Instances of material non-compliance	See next page	
2.	Significant deficiencies	Y N	GF-12s
3.	Material weaknesses	Y N	GF-12s

E. Because this audit is being conducted under Chapter 11 of the Code of Iowa, Government Auditing Standards and OMB Circular A-133, users of the report are presumed to be aware of the conditions under which the report is issued, including the requirement of state law requiring the report to be open to the public

F. Dollar threshold used to distinguish between TYPE A and TYPE B programs $_____ GF-12s

G. Agency qualified as low-risk auditee Y N GF-12s

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

OPINION, DISCLOSURE AND OTHER REPORT INFORMATION (Supplemental Page)

	Major Program (CFDA) #):				Major Program (CFDA) #):			
	Requirement Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Type of Opinion	Requirement Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Type of Opinion
Common requirements (GF-9s):								
A. Activities Allowed or Unallowed	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
B. Allowable Costs/Cost Principles	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
C Cash Management	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
D Davis-Bacon Act	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
E. Eligibility	Y N/A	Y N/A	MNC,QC,SDMW ,NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
F. Equipment and Real Property	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
G. Matching, Level of Effort, Earmarking	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
H. Period of Availability of Federal Funds	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
I. Procurement, Suspension and Debarment	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SDMW ,NONE	U,Q,D,A
J. Program Income	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
K. Real Property Acquisition and Relocation Assistance	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
L. Reporting	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
M. Subrecipient Monitoring	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
N. Special Tests and Provisions	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A

U = Unmodified
Q = Qualified
D = Disclaimer
A = Adverse

MNC = Material noncompliance
QC = Questioned Cost > $10,000
SD = Significant Deficiency
MW = Material Weaknesses
NONE = None required to be reported

Y = Yes
N/A = Not applicable

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

OPINION, DISCLOSURE AND OTHER REPORT INFORMATION (Supplemental Page)

	Major Program (CFDA) #):				Major Program (CFDA) #):			
	Requirement Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Type of Opinion	Requirement Tested	Findings reported in Part III of SFQC	Type of finding reported in Part III	Type of Opinion
Common requirements (GF-9s):								
A. Activities Allowed or Unallowed	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
B. Allowable Costs/Cost Principles	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
C Cash Management	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
D Davis-Bacon Act	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
E. Eligibility	Y N/A	Y N/A	MNC,QC,SDMW ,NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
F. Equipment and Real Property	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
G. Matching, Level of Effort, Earmarking	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
H. Period of Availability of Federal Funds	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
I. Procurement, Suspension and Debarment	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SDMW ,NONE	U,Q,D,A
J. Program Income	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
K. Real Property Acquisition and Relocation Assistance	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
L. Reporting	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
M. Subrecipient Monitoring	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A
N. Special Tests and Provisions	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A	Y N/A	Y N/A	MNC,QC,SD,MW NONE	U,Q,D,A

U = Unmodified
Q = Qualified
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MNC = Material noncompliance
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MW = Material Weaknesses
NONE = None required to be reported

Y = Yes
N/A = Not applicable

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

OPINION, DISCLOSURE AND OTHER REPORT INFORMATION SINGLE AUDIT

REPORTING PACKAGES – The following entities are required to receive a reporting package:

1) Federal Clearinghouse (through electronic submission)
2) Grantor pass-through entities when:
   - The Schedule of Findings and Questioned Costs disclosed audit findings related to federal awards the pass-through entity provided and/or,
   - The Summary Schedule of Prior Audit Findings reported the status of any audit findings related to federal awards the pass-through entity provided directly.

   List appropriate agencies and their addresses, if any:

_____ _____

_____ _____

_____ _____

_____ _____

_____ _____

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

OPINION, DISCLOSURE AND OTHER REPORT INFORMATION SINGLE AUDIT

NOTIFICATION LETTERS – The following entities are required to receive an audit notification:

All pass-through entities not required to receive a copy of the reporting package (see previous page).

Circle applicable agencies:

Iowa Dept. of Public Safety
215 East 7th Street
Des Moines, IA 50319

Iowa Dept. of Public Health
Lucas State Office Building
LOCAL

Iowa Dept. of Natural Resources
Wallace State Office Building
LOCAL

Iowa Dept. on Aging
Jessie M. Parker Building
LOCAL

Iowa Dept of Education
Grimes State Office Building
LOCAL

Iowa Dept. of Human Services
Division of Fiscal Management
1st Floor
Hoover State Office Building
LOCAL

Governor's Office of Drug Control Policy
215 East 7th Street, 5th Floor
Des Moines, IA 50319

Iowa Economic Development Authority
200 East Grand
Des Moines, Iowa 50309

Iowa Dept. of Transportation
ATTN: Tom Devine
800 Lincoln Way
Ames, IA 50010

Iowa Dept. of Public Defense
State Comptroller's Office
ATTN: Michael A. Gardner
Camp Dodge, Building B61
7105 NW 70th Avenue
Johnston, IA 50131-1824

Iowa Dept. of Homeland Security
and Emergency Management
ATTN: Angela Chen
7900 Hickman Road, Suite 500
Windsor Heights, IA 50324

List other agencies and their addresses:

_____ _____
_____ _____
_____ _____
_____ _____
_____ _____

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **CONFIRMATION CONTROL**

Type of Request	Sent to (Name and Address)	Mailed By	Date Mailed	Date Rec'd*	W/P Ref	Comments

* If confirmation is not received, alternative procedures are required.

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015

WORKPAPER COPIES GIVEN TO CLIENT AND OUTSIDE PARTIES

Workpaper Reference	To Whom given	Date	Approved By

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **PENDING MATTERS**

No.	W/P Ref.	Description	Disposition

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **REVIEW NOTES**

No.	W/P Ref.	Item	Disposition	Approved

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **INCHARGE REVIEW QUESTIONNAIRE**

QUESTION	YES	NO	N/A
1. Was the scope of our audit in accordance with our audit plan?			
2. Have you informed the Manager of all identified problems and internal control weaknesses that resulted in significant modification to the audit program and have you obtained the Manager's concurrence with the modifications?			
3. Have you gathered enough evidence to satisfy the audit program objectives?			
4. Are you satisfied the evidence gathered does not disclose suspicion of abuse, fraud, violations of statutory, regulatory and contractual provisions or other illegal acts other than those noted in the statutory comments of the report?			
5. Are you satisfied we have a reasonable basis for the expression of an opinion on each opinion unit and the workpaper documentation supports the opinions we are expressing on the financial statements?			
6. Are you satisfied with the results of the limited procedures performed for required supplementary information (RSI), supplementary information and other information, if applicable?			
7. Are you satisfied there is not substantial doubt about the Agency's ability to continue as a going concern, or if there is substantial doubt, the appropriate disclosures were made and an explanatory paragraph was included in the Independent Auditor's Report?			
8. Are you satisfied we have a reasonable basis for and the workpapers support our statement in the Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting for instances of non-compliance required to be reported under Government Auditing Standards?			
9. Are you satisfied we have a reasonable basis for expressing an opinion on the Agency's compliance with the common requirements applicable to major federal programs?			
10. Are you satisfied we have obtained an adequate understanding of the design of internal controls, determined whether these controls have been implemented and assessed control risk?			
11. Are you satisfied we have reduced the detection risk to a reasonable level?			
12. Have all applicable items on the audit planning, questionnaires and audit program been completed and workpapers properly indexed and signed or initialed by those doing the work?			
13. Have all significant, unusual or unexpected balances or relationships noted during planning or the course of the audit been adequately investigated and documented?			
14. Has the work of all assistants been thoroughly reviewed?			
15. Have review notes been adequately resolved?			
16. Are you satisfied the planned level of risk of material misstatement due to fraud or error did not increase based on the accumulated results of the audit procedures performed during field work? (AU 240.34)			
17. Has there been appropriate communication with other audit team members throughout the audit regarding information or conditions			

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **INCHARGE REVIEW QUESTIONNAIRE**

QUESTION	YES	NO	N/A
indicative of risks of material misstatement due to fraud or error?			
18. Have you documented the success and/or failures of procedures performed based on the planned risk assessment in the items for next year section?			
19. Have you discussed with the Agency and prepared draft comments or memoranda regarding communication of the following:			
a. Management suggestions?			
b. All significant deficiencies and material weaknesses in the internal controls that we observed?			
c. All immaterial items noted during our audit?			
d. Non-compliance with any statutory, regulatory or contractual requirements?			
e. Any instances of fraud or indications fraud may exist?			
f. Auditor's Reports on the financial statements, compliance and internal controls?			
20. Has the audit report routing sheet:			
a. Been completed and signed off?			
b. Been completed for the report distribution section, including addresses for non-client report recipients?			
21. Has the news release draft been completed?			
22. Has a list been prepared of all significant pending matters which must be cleared before issuing the report?			
23. Has the Manager been informed of all pending matters?			
24. Have required engagement evaluation reports been completed by the appropriate person(s)?			
25. Are you satisfied all audit work complied with professional standards and office policies?			
26. Have all electronic workpapers been properly stored on the network?			
COMMENTS (required for "No" answers):			
Incharge _____ Date _____			
Manager _____ Date _____			
Independent Reviewer _____ Date _____			

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **MANAGER REVIEW QUESTIONNAIRE**

QUESTION	YES	NO	N/A
A. General			
1. Have you reviewed the workpapers and do you concur with the conclusions of the incharge auditor?			
2. Have all exceptions noted on the Incharge Review Questionnaire been resolved?			
3. Are you satisfied:			
a. the audit program was properly modified for identified problems and internal control weaknesses?			
b. required supplementary information (if applicable) has been obtained and testing procedures have been performed?			
c. the judgments and conclusions reached are supported by documented evidence?			
d. appropriate changes for the next audit, if any, have been summarized?			
e. all audit work conformed to the audit plan, scope and objectives?			
f. Significant unusual or unexpected balances or relationships noted during planning or the course of the audit have been adequately investigated and documented?			
g. Nothing was noted indicating an increased level of risk of material misstatement due to fraud or error?			
4. Do the workpapers include adequate documentation as to:			
a. changes in accounting policies?			
b. conformity with generally accepted accounting principles or a different basis of accounting, if appropriate?			
c. conformity with generally accepted auditing standards?			
d. conformity with statutory, regulatory and contractual provisions?			
e. adequacy of disclosure?			
f. compliance with office policies?			
5. Have applicable questionnaires been completed?			
6. Have all procedures been performed and signed off?			
7. Have all review comments been cleared with adequate documentation of disposition?			
8. Have required performance evaluations been completed?			
9. Have all electronic workpapers been properly stored on the network?			
B. Financial Statements and Audit Report			
1. Are the financial statements adequately referenced to footnote disclosures?			
2. Are the dates covered by the financial statements correct?			

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **MANAGER REVIEW QUESTIONNAIRE**

QUESTION	YES	NO	N/A
3. Are all material facts disclosed which are necessary to not make the financial statements misleading?			
4. Have all material and/or special or extraordinary subsequent events been evaluated and properly disclosed?			
5. Is there adequate documentation in the workpapers to support the footnotes?			
6. Do the footnotes clearly explain the facts?			
7. Is the nature of each financial statement clearly indicated by its title?			
8. Do the financial statements maintain a uniform manner of format, capitalization, headings and appearance in general within itself?			
9. Is our audit report addressed to the proper party?			
10. Does our opinion on each opinion unit properly state the responsibility we wish to assume?			
11. Has adequate audit work been performed to support the opinion on the financial statements that we are rendering?			
12. Is the report dated in accordance with AU 700.41?			
13. Is any data in the footnotes requiring special mention, with respect to the date of our report, appropriately reflected in the date of our report?			
14. Is our opinion on the supplementary financial information proper and supported by our audit?			
15. Are disclosures in each opinion unit, financial statements and notes to financial statements adequate and do they clearly communicate the facts?			
16. Have you performed final analytical procedures including a comparison of the financial statements to the prior year?			
17. Are you satisfied the audit did not disclose any suspicions of irregularities, violations of statutory, regulatory and contractual provisions or other illegal acts other than those noted in the statutory comments of the report?			
18. Have the following been discussed with appropriate Agency officials and arrangements been made to get responses, if appropriate:			
a. Management suggestions?			
b. All significant deficiencies and material weaknesses in internal control we observed?			
c. All material items?			
d. Non-compliance with any statutory, regulatory or contractual requirements?			
e. Any instances of fraud or indications that fraud may exist?			
f. Auditor's Report?			
19. Have you sent the draft statements to the Agency and received written			

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **MANAGER REVIEW QUESTIONNAIRE**

QUESTION	YES	NO	N/A
approval of the financial statements?			
C. IAR on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards:			
1. Has adequate work been performed to support our statement on instances of non-compliance required to be reported under Government Auditing Standards?			
2. Have appropriate exceptions been noted for items of non-compliance?			
3. Has adequate audit work been performed to support:			
a. Our understanding of internal controls?			
b. The determination of whether these controls have been implemented?			
c. Our assessment of control risk?			
4. Have all significant deficiencies and material weaknesses been disclosed?			
D. IAR on Compliance for each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133:			
1. Has adequate audit work been performed to support the opinion we are giving on compliance with common requirements applicable to major federal programs?			
2. Have appropriate exceptions been noted for items of non-compliance?			
3. Has adequate audit work been performed to support:			
a. Our understanding of internal controls?			
b. The determination of whether these controls have been implemented?			
c. Our assessment of control risk?			
4. Have all significant deficiencies and material weaknesses been disclosed?			
E. Report Production			
1. Has the report routing sheet been completed?			
2. Does the draft audit report comply with professional and office reporting standards?			
3. Has a copy of the completed routing sheet including the report release date been filed in the GF-17's?			
COMMENTS (required for "No" answers):			
Manager _____ Date _____			
Independent Reviewer _____ Date _____			

AREA EDUCATION AGENCY **SAMPLE AEA**

June 30, 2015 **INDEPENDENT REVIEWER QUESTIONNAIRE**

QUESTION	YES	NO	N/A
1. Have all unusual or unexpected balances or relationships noted during planning or the course of the audit been adequately documented?			
2. Have you reviewed the audit conclusions on all material items in the financial statements?			
3. Have all review notes been adequately resolved?			
4. Have you reviewed and do you concur with the Incharge Review Questionnaire?			
5. Have you reviewed and do you concur with the Manager Review Questionnaire?			
6. Based on your review, are the financial statements fairly presented?			
7. Do the workpapers provide adequate documentation for any unusual or unexpected balances or relationships noted in your review of the financial statements and related notes?			
8. Do the financial statements, supplementary information and the comments and recommendations appear to be materially correct?			
9. Is the required supplementary information (RSI) included, if applicable, and has it been evaluated for reasonableness?			
10. Is the auditors' report on financial statements appropriate, based on our audit and the financial statement presentation?			
11. Is the auditor's report on internal control over financial reporting and on compliance and other matters appropriate, based on our audit?			
12. Is the auditor's report on compliance for each major federal program and on internal control over compliance appropriate, based on our audit?			
13. Does the draft audit report comply with professional and office reporting standards?			

COMMENTS (required for "No" answers):

Independent Reviewer _____ Date _____