

**CITY** 2017 Audit Programs

June 30, 2017

**AUDIT PLANNING**

PROCEDURE	OBJ.	DONE BY	W/P REF	N/A	REMARKS
<b>Audit Objectives:</b>					
A. Plan and document planning of audit.					
B. Consider Single Audit implications.					
C. Determine preliminary planning materiality.					
D. Consider the effect on financial statements of non-compliance with laws and regulations.					
E. Perform risk assessment procedures and assess risk of material misstatement of the financial statements.					
F. Determine audit approach.					
<b>Audit Procedures:</b>					
A. City's population _____ Date of Incorporation _____					
B. Job number _____					
C. Assigned staff: _____ Independent? _____ Manager _____ Incharge _____ Staff _____ _____ _____ _____	A				
D. Timing: _____ Planned Date _____ Actual Date _____ Begin fieldwork _____ Complete fieldwork _____ To Manager _____	A				
E. Document contact information: Mayor Name : _____ Phone _____ E-mail _____ Clerk Name: _____ Phone _____ E-mail _____					
F. Obtain and file the engagement letter. (AU-C 210.09)	A				

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<p>G. If prior year audit was performed by another firm (AU-C 510):</p> <ol style="list-style-type: none"> <li>Obtain and review a copy of the Independent Auditor's Reports on the financial statements, compliance and internal control.</li> <li>Obtain copies of appropriate workpapers.</li> <li>Make the appropriate inquiries of the predecessor auditor.</li> <li>Review and document, as necessary, evidence of opening balances.</li> <li>Firm: _____ Contact Person: _____ Telephone: _____</li> </ol>	A				
<p>H. Review prior year audit report and working papers. If applicable:</p> <ol style="list-style-type: none"> <li>Note any departures from an unmodified opinion.</li> <li>Note any specific areas of comment in the prior audit report. Determine and document current status.</li> <li>Note any areas of special emphasis recommended for this year's audit by the prior auditor.</li> <li>Note items for next year's audit in prior year's workpapers. Document in current year workpapers and address.</li> <li>Note any non-report comments that may affect this year's audit and document the status of these.</li> </ol>	A,B,E				
<p>I. Inquire as to the existence of findings and recommendations from any previous audits, attestation engagements, performance audits, or other studies (for example – Federal audits, program audits, IT audits, reviews by state agencies, etc.) that have been performed and determine the current status of any findings or recommendations identified that may directly affect the risk assessment and audit procedures in planning the current audit. (GASB Chapter 4.05 and AU-C 935.16)</p>					
<p>J. Review permanent file and determine status of the following and update as necessary:</p> <ol style="list-style-type: none"> <li>Identification of financial reporting entity and compliance with GASB 14, as amended by GASB 39, 61 and 80. <ol style="list-style-type: none"> <li>Identify the primary government.</li> </ol> </li> </ol>	A,B,F				

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<ul style="list-style-type: none"> <li>b. Identify and document consideration of component units.</li> <li>c. For any entity 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.</li> <li>d. Identify and document relationships with organizations other than component units.</li> </ul>					
2. Nature of client's business and legal environment.					
3. Applicable state and federal regulations.					
4. Administrative and accounting personnel.					
5. As applicable, federal program personnel.					
6. Organization chart.					
7. Chart of accounts and accounting manual.					
8. Use of outside service organizations.					
9. Use(s) of IS systems.					
10. Methods used to process significant accounting information.					
11. Long-term leases, contracts and commitments.					
12. List of officials and terms.					
K. Conduct entrance conference. Discuss and document pertinent information.	A,B				
L. Request the City assemble all necessary information, records and documents.	A,B,F				
M. 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 ( <a href="http://www.emma.msrb.org">www.emma.msrb.org</a> ).					
N. Determine if the engagement is an audit of group financial statements. If applicable, follow the guidance in AU-C 600, including, but not limited to:	A,C,E,F				
1. Identifying components.					
2. Developing an overall audit strategy and audit plan for the group audit.					

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3. Gaining an understanding of the group, its components and their environments, including understanding: <ul style="list-style-type: none"> <li>a. Group-wide controls.</li> <li>b. The consolidation process.</li> </ul> 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.           O. Determine the extent of involvement, if any, of consultants, specialists or internal auditors. Where applicable, follow the appropriate guidance: <ul style="list-style-type: none"> <li>1. AU-C 610 "Auditor's Consideration of the Internal Audit Function".</li> <li>2. Auditor's Specialist (AU-C 300.12, AU-C 620 and <u>Government Auditing Standards</u>, Chapters 6.42-.44) - Consider whether specialized skills, including professionals possessing information technology (IT) skills, are needed in performing the audit and seek such assistance if considered necessary.</li> <li>3. Management's Specialist (AU-C 500.08) - Include appropriate statement in the management representation letter. Examples of the use of a specialist include:</li> </ul>	A				

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<ul style="list-style-type: none"> <li>a. An engineer or environmental consultant used to estimate the remaining useful life or estimated closure and postclosure care costs of a municipal solid waste landfill (MSWLF).</li> <li>b. An actuary used to determine incurred but not reported (IBNR) claims for a self-insurance fund.</li> <li>c. An actuary used to determine amounts for other postemployment benefits (OPEB).</li> </ul>					
P. Inquire about related party transactions.	A,F				
Q. Minutes:	A,E,F				
<ul style="list-style-type: none"> <li>1. Review minutes through the most recent meeting and document significant Council action, including subsequent events.</li> <li>2. Scan minutes for significant action of other outside Boards, including, but not limited to, the Library Board and Park Board.</li> </ul>					
R. Obtain copy of the City's June 30 financial statement(s)/ reports.	A				
S. Document compliance with <u>Government Auditing Standards</u> conceptual framework for nonaudit services, if any.					
T. Determine if the City was a party to a government combination (merger or acquisition) or had a disposal of operations. If applicable, determine activity is properly disclosed and reported in accordance with GASB 69.					
U. Discuss with the engagement team the significance of threats to management participation or self-review and emphasize the risks associated with those threats.					
V. Determine if the City 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, 61 and 80 reviews.					
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				
<ul style="list-style-type: none"> <li>1. Opinion units in the City's basic financial statements are (as applicable): <ul style="list-style-type: none"> <li>a. Each major fund.</li> <li>b. Governmental and business type activities.</li> <li>c. Aggregate remaining fund information.</li> </ul> </li> </ul>					

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<ul style="list-style-type: none"> <li>d. Discretely presented component units.</li> <li>e. Transaction class, account balance or disclosure, if necessary. (AU-C 320.14)</li> <li>2. Materiality level for each major federal program. If done at interim, update materiality levels as of the statement of net position date.</li> </ul>					
<ul style="list-style-type: none"> <li>X. Apply preliminary analytical procedures:               <ul style="list-style-type: none"> <li>1. Compare current year information to information with a plausible relationship.</li> <li>2. Identify expectations and document basis of expectations.</li> <li>3. Identify unusual or unexpected balances or relationships.</li> <li>4. Determine and document if matters identified indicate a higher risk of material misstatement. If a higher risk is indicated, adjust audit approach accordingly.</li> </ul> </li> <li>Y. Determine completeness and accuracy of books and records by footing, cross-footing and tracing postings from journals as necessary. Include all subsidiary detail systems.</li> <li>Z. Prepare all necessary confirmation requests for mailing.</li> <li>AA. Send attorney letters to attorneys and other lawyers consulted on significant matters during the period. Send the letter early during fieldwork with a requested response date one week prior to estimated completion of fieldwork.</li> </ul>	A,E,F				
<ul style="list-style-type: none"> <li>BB. Determine and document an audit strategy based on determination of audit risk (AU-C 240, AU-C 315.26-.27, AU-C 320 and AU-C 935.20).</li> </ul>	A,B,E,F				
<ul style="list-style-type: none"> <li>CC. Internal Control               <ul style="list-style-type: none"> <li>1. For the City and any separately maintained record systems, obtain and document an understanding of the internal controls, including those relating to overall compliance with laws and regulations.                   <ul style="list-style-type: none"> <li>a. Determine and document whether these internal controls have been implemented.</li> </ul> </li> </ul> </li> </ul>	A,B,D,E,F				

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<ul style="list-style-type: none"> <li>b. Assess control risk for financial statement assertions, including those relating to overall compliance with laws and regulations that have a direct and material effect on the financial statements:               <ul style="list-style-type: none"> <li>1) Identify those financial statement assertions for which tests of controls need to be performed and design the appropriate tests of controls.</li> <li>2) Document conclusions in working papers concerning the assessed level of control risk for the assertions.</li> </ul> </li> <li>c. If the City uses a service organization to process transactions for the City (i.e. payroll processing, utility billing and/or collection, bank trust department which invests and holds assets for employee benefit plans, organizations which develop, provide and maintain software for user organizations, etc.), follow AU-C 402 to consider and document the effect the service organization has on the internal controls of the City (user organization), related control risk assessments and the availability of evidence to perform substantive procedures.</li> <li>d. Obtain and document an understanding of the City's credit card collections and compliance with PCI (Payment Card Industry) Data Security Standards.               <ul style="list-style-type: none"> <li>1) Determine credit card security policies have been documented and established.</li> <li>2) Determine self-assessment measures have been completed.</li> </ul> </li> <li>e. Obtain and document an understanding of the internal audit function to determine whether the internal audit function is likely to be relevant to the audit. (AU-C 315.24)</li> </ul>					
2. Major federal programs: <ul style="list-style-type: none"> <li>a. Obtain and document an understanding of the internal controls relevant to the compliance requirements applicable to all major federal programs.</li> <li>b. Determine and document whether these controls have been implemented.</li> </ul>					

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<ul style="list-style-type: none"> <li>c. Assess control risk. (The auditor should plan for a low level of control risk).</li> <li>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).</li> <li>e. Include lack of or ineffective control procedures as significant deficiencies or material weaknesses in the report on the internal control.</li> </ul> <p>3. If steps CC(1) and CC(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:</p> <ul style="list-style-type: none"> <li>a. Apply the following procedures for internal control work done: <ul style="list-style-type: none"> <li>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.</li> <li>2) Consider the significance of any changes.</li> <li>3) Obtain audit evidence about the nature and extent of any changes.</li> </ul> </li> <li>b. If considered necessary based on the above procedures, perform additional tests of controls and update risk assessments.</li> </ul> <p>DD. Determine the major funds for the governmental and business type funds. Funds are considered major funds if they meet both criteria for the same element. (GASB 34 par.76)</p> <p>(Cash Basis City)</p> <ul style="list-style-type: none"> <li>1. Total assets (cash and investments), receipts or disbursements of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.</li> <li>2. Total assets (cash and investments), receipts or disbursements of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.</li> </ul>					



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<p>3. Review with management whether additional discretionary funds should be included as major funds.</p> <p>(GAAP Basis City)</p> <p>1. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures of the individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type.</p> <p>2. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues or expenditures of the individual governmental or enterprise fund are at least 5% of the corresponding total for all governmental and enterprise funds combined.</p> <p>3. Review with management whether additional discretionary funds should be included as major funds.</p> <p>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)</p> <p>FF. Consideration of compliance with laws and regulations (GAS Chapter 6.28 AU-C 250.12, AU-C 250.14)</p> <p>1. Identify and obtain an understanding of the legal and regulatory framework applicable to the City and how the City is complying with the framework.</p> <p>2. Identify possible instances of noncompliance with laws and regulations that may have a material effect on the financial statements:</p> <p>a. Inquire of management and, when appropriate, those charged with governance, about whether the City is in compliance with such laws and regulations.</p> <p>b. Inspect correspondence, if any, with relevant licensing or regulatory authorities.</p> <p>GG. 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 City's internal controls.</p>	<p>E</p> <p>D</p> <p>A,F</p>				

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