

June 30, 2017

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. Consider the effect on financial statements of non-compliance with laws and regulations. E. Perform risk assessment procedures and assess risk of material misstatements of the financial statements. F. Determine audit approach. Audit Procedures: A. Job number _____ B. Assigned staff _____ Independent? A Manager _____ Incharge _____ Staff _____ _____ _____ _____ _____ C. Timing: A <u>Planned Date</u> <u>Actual Date</u> Begin fieldwork _____ Complete fieldwork _____ To Manager _____ D. Document contact information: Region Chairman: _____ Phone_____ E-mail_____ Finance Officer: _____ Phone_____ E-mail_____					

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E. Obtain and file the engagement letter. (AU-C 210.09)	A				
F. If prior year audit was performed by another firm (AU-C 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: _____					
G. Review prior year audit report and workpapers. If applicable:	A,B,F				
1. Note any departures from an unmodified opinion.					
2. Note any specific areas of comment in the prior audit report. Determine and document current status of prior year comments.					
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 the prior year's workpapers and document in the current year workpapers how those items are being addressed.					
5. Note any non-report comments that may affect this year's audit and document the status of the non-report comments.					
H. Inquire as to the existence of any 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-C 935.16)	A,D				

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<p>I. Review permanent file, determine status of the following and update as necessary:</p> <ol style="list-style-type: none"> 1. Identification of the financial reporting entity and compliance with GASB 14, as amended by GASB 39 and 61. <ol style="list-style-type: none"> 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. 10. Methods used to process significant accounting information. 11. Long-term leases, contracts and commitments. 12. List of officials and terms. 	A,B,F				
J. Conduct entrance conference. Discuss and document pertinent information.	A,B				
K. Request the Region assemble all necessary information, records and documents.	A,B,F				
<p>L. 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:</p> <ol style="list-style-type: none"> 1. Identifying components. 2. Developing an overall audit strategy and audit plan for the group audit. 	A,C,E,F				

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3. Gaining an understanding of the group and its components and environments, including understanding: <ul style="list-style-type: none"> 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. M. 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"> 1. AU-C 610 "Auditor's Consideration of the Internal Audit Function". 2. Auditor's Specialist (AU-C 300.12, AU-C 620 and Government Auditing Standards Chapter 6.42-.44) - Consider whether specialized skills, including professionals possessing IT skills, are needed in performing the audit and seek such assistance if considered necessary. 					

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<p>3. Management's Specialist (AU-C 500.08) - Include appropriate statement in the management representation letter.</p> <p>N. Inquire about related party transactions.</p> <p>O. Minutes:</p> <ol style="list-style-type: none"> 1. Review minutes through the most recent meeting and document significant action of the governing body, including subsequent events. 2. Determine and document whether minutes were properly signed. 3. Determine, on a test basis, if meetings were preceded by proper public notice in accordance with Chapter 21.4 of the Code of Iowa. 4. Determine if minutes document the governing body followed proper proceedings for any closed sessions. (Chapter 21.5 of the Code of Iowa) <ol style="list-style-type: none"> 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. 5. 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. 6. Trace approval of selected capital asset acquisitions in the minutes to the disbursements/expenditures journal. 7. Trace approval of selected asset dispositions from the minutes to the receipts/revenues journal. 8. Review records for unapproved acquisitions or dispositions. 9. Determine, on a test basis, if the proceedings were published in accordance with Chapter 28E.6 of the Code of Iowa, including: <ol style="list-style-type: none"> a. The Region furnished a summary of the proceedings for publication to the newspaper within 20 days following the adjournment of the meeting. b. Publication included a schedule of bills allowed. 	<p>A,F</p> <p>A,E,F</p>				

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c. Salaries of employees were published annually.					
P. Obtain a copy of the Region's June 30 financial statement(s)/ reports and/or Annual Financial Report.	A				
Q. 28E Organizations:					
1. Determine if the Region was a member of a separate 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.					
R. Determine and document judgments about materiality levels by opinion units. (AAG-SLV 4.23) If done at interim, update materiality levels as of year-end.					
S. Apply preliminary analytical procedures:	A,E				
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.					
4. Determine and document if matters identified indicate a higher risk of material misstatement. If a higher risk is indicated, adjust audit approach accordingly.					
T. Determine completeness and accuracy of books and records by footing, cross-footing and tracing postings from journals as necessary. Include all subsidiary detail systems.					
U. Prepare all necessary confirmation requests for mailing.					
V. Send attorney letters to attorneys and other lawyers consulted on significant matters during the period. Send the letter early during field work with a requested response date one week prior to estimated completion of field work.					
W. 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).	A,B,E,F				
X. Internal Control:	A,B,D,E,F				

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<ol style="list-style-type: none"> 1. Obtain and document an understanding of the internal controls, including those relating to overall compliance with laws and regulations. <ol style="list-style-type: none"> a. Determine and document whether the controls have been implemented. 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. <ol style="list-style-type: none"> 1) Document conclusions in workpapers concerning the assessed level of control risk for the assertions. 2) Identify those financial statement assertions for which tests of controls need to be performed and design the appropriate tests of controls. c. If the Region uses a service organization to process Region transactions (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-C 402 to consider and document the effect the service organization has on the internal controls of the Region (user organization), related control risk assessments and the availability of evidence to perform substantive procedures. d. Obtain and document an understanding of the Region's credit card collections and compliance with PCI (Payment Card Industry) Data Security Standards. <ol style="list-style-type: none"> 1) Determine credit card security policies have been documented and established. 2) Determine self-assessment measures have been completed. 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) 2. If step X(1) is done at interim, determine if tests of controls and assessments of control risk can be extended to year end: 					

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<ul style="list-style-type: none"> a. Apply the following procedures for the internal control work done: <ul style="list-style-type: none"> 1) Ask whether there have been any changes to internal control 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. 					
Y. Consideration of compliance with laws and regulations (GAS Chapter 6.28, AU-C 250.12, AU-C 250.14)	D				
<ul style="list-style-type: none"> 1. Identify and obtain an understanding of the legal and regulatory framework applicable to the Region and how the Region 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: <ul style="list-style-type: none"> a. Inquire of management and, when appropriate, those charged with governance, about whether the Region is in compliance with such laws and regulations. b. Inspect correspondence, if any, with relevant licensing or regulatory authorities. 					
Z. 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)	E				
AA. Modify/expand on audit program guide, as necessary. The program should be responsive to the critical audit areas and other areas of concern noted in the audit planning, the analytical procedures performed on the financial statements, and the understanding obtained of the Region's internal controls.	A,F				
BB. If Single Audit requirements apply to the Region, insert the appropriate planning program procedures.					

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CC. Document compliance with <u>Government Auditing Standards</u> conceptual framework for nonaudit services, if any.					
DD. Determine if the Region 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.					
EE. Discuss with the engagement team the significance of threats to management participation or self-review and emphasize the risks associated with those threats.					
FF. 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 Region 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.					
GG. Prepare audit time budget.					
HH. Discuss planning phase with the Manager and document conclusions.	A				

