

2015 GOVERNMENTAL ENTITIES OVERVIEW FOR KNOWLEDGE COACH USERS

PURPOSE

This document is published for the purpose of communicating, to users of the toolset, updates and enhancements included in the current version. This document is not, and should not be used as an audit program to update the audit documentation of an engagement started in a previous version of this product

WORKPAPER UPDATES AND ROLL FORWARD NOTES

General Roll Forward Note:

You must be the current editor of all Knowledge Coach workpapers to update to the latest content, and you must be the current editor upon opening the updated workpaper for the first time to ensure you see the updated workpaper.

The 2015 edition of *Knowledge-Based Audits of Governmental Entities* is current through SAS-129 and GASB-71 and includes the following updates:

Knowledge-Based Audit Documents (KBAs)

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
KBA-101 Overall Audit Strategy					
New	Added a new Factor to Consider to Section I, Reporting Requirements, regarding users of the financial statements.	Table other than procedures	N		Data flows in from KBA-200
Modify	Minor changes for consistency with CORE tools.	throughout	N		
KBA-103 Evaluating and Communicating Internal Control Deficiencies					The flow of findings identified in the KBA-400 series of workpapers has changed due to the COSO Framework changes. Therefore, findings from will not flow into KBA-103. Publish KBA-103 prior to roll forward to ensure you maintain your data.
Modify	Modified instructions	Instructions	N		
Modify	Added a new column for Description of Potential Effect.	Table other than procedures	Y	AU-C 265	
Modify	New description of control deficiency examples	Table other than procedures	N		
Modify	Content update for 2013 <i>COSO Internal Control – Integrated Framework</i> .	Instructions Table other than	Y	COSO	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
		procedures			
KBA-200 Entity Information and Background					
Modify	New table to allow the auditor to document the users of the financial statements regarding users of the financial statements, modified for governmental model as in KBA-302 (“e.g., city council, school board, state regulatory entity, state auditor”).	Table other than procedures	N		The information in this table will flow to KBA-302, KBA302N and KBA-101.
Modify	Updated with text changes and new examples for government specificity.	throughout	N		
KBA-301 Worksheet for Determination of Materiality, Performance Materiality, and Thresholds for Trivial Amounts					
Modify	Added practice points to emphasize auditor judgment regarding Rule-of-Thumb percentages	Table other than procedures	Y	AU-C 320 AAG Sampling	
Modify	Updated Rule-of-Thumb percentages to better reflect current industry practice (for consistency with CORE)	Table other than procedures	N		
KBA-302 Understanding the Entity and Its Environment: Complex Entities					
Modify	Enhanced the flow from KBA-200 to incorporate users of the financial statements into Section I Entity Information, updated for government model.	Table other than procedures	N		Data flows in from KBA-200
Modify	Modified for consistency with CORE, including new Section IV for factors to be considered when performing group audit engagements; updated for government model.	Table other than procedures	Y	AU-C 600 Appendix B	
KBA-302N Understanding the Entity and Its Environment: Noncomplex Entities					
Modify	Updated Section I Entity Information with new item 1 for describing users of the basic financial statements, government model (“e.g., city council, school board, state regulatory entity, state auditor”).	Table other than procedures	N		
KBA-303 Inquiries of Management and Others Within the Entity About the Risks of Fraud					
Modify	Modified instructions to emphasize that this document is a	Instructions	N		

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	summary document and can be used to either summarize all of the auditor's inquiries or be used multiple times to document each individual inquiry interview.				
KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures					
New	Added new comment section for each audit area.	Table other than procedures	N		
Modify	Content updated for 2013 <i>COSO Internal Control – Integrated Framework</i> .	Instructions Table other than procedures	Y	COSO	Most of the data in the Reconciliation Table and the Risk Table will retain, but some of the columns have been combined. Publish KBA-400 prior to roll forward to ensure you maintain your data. There is new functionality in this workpaper to include changes in the way data flows, default answers, and dynamic diagnostics.
KBA-401 Understanding Entity-Level Controls: Complex Entities and KBA-401N Understanding Entity-Level Controls - Noncomplex Entities					
Modify	Updated for consistency with CORE (content update for 2013 Framework; added new columns for “Are Controls Present?” and “Are Controls Functioning?”)	Instructions Table other than procedures	Y	COSO	Data in this workpaper needs to be reassessed and reevaluated and will not roll forward due to the changes for the COSO framework. You will need to publish KBA-401 or KBA-401N prior to roll forward to ensure you maintain your data.
New	Updated for consistency with CORE (new conclusion table added).	Table other than procedures	Y	COSO	
KBA-403 Understanding Activity-Level Controls-Revenue, Receivables, and Cash Receipts through KBA-408 Understanding Activity-Level Controls-Financial Reporting and Closing Process					
Modify	Updated for consistency with CORE (content update for 2013 Framework; added new columns for “Are Controls Present?” and “Are Controls Functioning?”).	Instructions Table other than procedures	Y	COSO	There is new functionality in this workpaper to include changes in the way data flows, default answers, and dynamic diagnostics.
KBA-502 Summary of Risk Assessments					
New	New Risk/Area sections added to correspond to the Audit Programs.	Table other than	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
		procedures			
KBA-901 Financial Statement Disclosures Checklist					
Modify	Updated for new accounting pronouncements.	Procedure steps	Y	GASB-65 through GASB-71	

Audit Programs (AUDs)

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
AUD-101 Overall Audit Program					
Modify	Conforming changes for consistency with CORE toolset; steps on “Differences of Professional Opinion” and “Review Audit Work” have been combined with “Complete the Audit by:” to reduce duplication.	Procedure steps	N		
AUD-201 Audit Program: Opening Balances and Additional Audit Procedures for an Initial Audit Engagement					
Modify	Modified instruction to incorporate reference to auditing standards	Instructions	Y	AU-C 300 AU-C 510	
Modify	Updated steps (under “Successor/Predecessor Auditor Communications”): g. Performed a search for unrecorded liabilities and tested the validity and adequacy of accrued liabilities, as well as deferred inflows of resources (if applicable, particularly if hedging derivatives, service concession arrangements are present in addition). We have inquired and documented the status of nonexchange financial guaranteed obligations and liabilities. k. Reviewed documents pertaining to any defined benefit pension or OPEB plan and documented information transferred from plans that adjusted beginning balances upon the implementation of GASB Statement No. 68, as well as adjustments made due to contributions	Procedure steps	Y	GASB-65- 68; 69, 70, 71	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>occurring after the employer's prior measurement date to the date of the prior financial statements (deferred outflows of resources declared pursuant to GASB Statement No. 71).</p> <p>1. Reviewed documentation or confirmed with the entity the status of any governmental combination in process (e.g., merger, acquisition, annexation, reorganization) pursuant to GASB Statement No. 69</p>				
AUD-601 Audit Program: Testing and Evaluating Internal Auditors' Work					
Modify	Minor changes to update Practice Point references to SAS-128.	Instructions	Y	SAS-128	
AUD-602 Audit Program: Involvement of a Component Auditor					
Modify	<p>Added new Practice Alert:</p> <p>Practice Alert: An interpretation was released to AU-C 600 pertaining to auditors of participating employers in a governmental pension plan. In order to report pension amounts in accordance with GASB Statement No. 68, employers obtain certain information (for example, net pension liability) from the governmental pension plan. AU-C Section 9600.02 does not designate the plan as a component of the employer. Therefore, the employer auditor should not make reference to the audit report of the governmental pension plan auditor.</p>		Y	AU-C Section 9600	
Modify	Table for Similar to PY/Significant Change to Step 1.	Table other than procedures	Y	AU-C 315	
Added	Consideration of whether the component auditor possesses an understanding of the financial reporting framework sufficient to fulfill his or her role in the audit engagement.	Table other than procedures	Y	AU-C 600	
Modify	Step 8 table to include disclosure of the framework and responsibility taken.	Table other than procedures	Y	AU-C 600	
New	Added Step 9, regarding evaluations performed when the component entity reports on a different financial reporting framework than the group entity.	Table other than procedures	Y	AU-C 600	
New	Added Step 9, regarding evaluations performed when the component entity reports on a different financial reporting	Table other than	Y	AU-C 600	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	framework than the group entity.	procedures			
AUD-603 Audit Program-Using the Work of an Auditor's Specialist					
Added	Table for Similar to PY/Significant Change to Step 1.	Table other than procedures	Y	AU-C 315	
AUD-701 Audit Program-Designing Tests of Controls					
Modify	Modified instructions to incorporate reference to a new AID-838 Dual-Purpose Testing Worksheet.	Instructions	N		
Added	Added “The reliability of the data on which the controls testing will be performed” to the determination and the extent of the tests of controls steps.	Procedure Steps	Y	COSO	
AUD-800 Audit Program: Custom through AUD-823 Audit Program: Concentrations					
Modify	Modified for consistency with CORE tools.	throughout	N		
AUD-801 Audit Program-Cash					
Modify	Added a new step on zero balance / sweep accounts: bank: We have documented inquiries of the entity’s management in searching for zero balance accounts, sweep accounts, and other similar accounts in outlying banks where funds may be deposited but not swept into central bank accounts. We have also documented when the last time the entity performed a search for accounts in banks in the region in the entity’s name, but not on the books of the entity.		N		
AUD-802 Audit Program: Investments and Investment-Related Activities					
Modify	Added new Practice Alert under the section Audit Procedures for Investments in Securities Subject to GASB-31, as Amended: Practice Alert: Clients that manage or are members of external investment pools should be made aw are of the Securities Exchange Commission's changes to part 270.2a-7 as many clients disclose that these pools align to 2a-7. Pools may have to change composition, reporting and operations prior to October of 2016 to align with 2a-7, unless they break alignment. Current U.S. GAAP in GASB-31 and 59 aligns to 2a-7 but has reporting at amortized cost and under current provisions. The most notable change is the potential for a floating net asset value instead of \$1 per share for	Table other than procedures	Y	SEC part 270.2a-7	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	such pools. This notification may be used as a component of <i>Written Communications</i>				
Modify	Added step: <ul style="list-style-type: none"> We tested allocations of investment income to ascertain if any fund or account was unfairly benefited or burdened through the unsystematic and / or irrational allocation of investment income / loss. 				
AUD-803 Audit Program: Exchange Revenues and Receivables					
Delete	Deleted step on considering whether specialized skills are needed, as this question is addressed in planning and therefore duplicate.	Procedures Steps	N		
Modify	Added step: We performed alternative procedures by examining documents such as the following: (a) cash receipt records, remittance advices, or other evidence of subsequent collection; (b) shipping records; (c) evidence of receipt of goods by the customers; (d) invoices; and (e) customer correspondence. (See the sample alternative procedures and review for uncollectibles for accounts receivable at <i>AID-813 Accounts Receivable: Alternative Procedures and Review for Uncollectibles</i>)	Procedures Steps	N		
AUD-804 Audit Program: Nonexchange Revenues and Receivables					
Modify	Modified audit objectives table: C. All revenues recognized during the period have been recorded, and recorded revenues represent valid transactions recorded in the proper period or recognized as deferred inflows of resources per GASB-65.	Table other than procedures	Y	GASB-65	
Modify	Added Practice Point in step 1: Practice Point: This may have to be performed for each form of tax or grant noting timing restrictions at the end of the period or grant award timing or eligibility restrictions.	Table, other than procedures	N		
Modify	Modified Practice Point in step 4g: Practice Alert: The GASB is in the process of final deliberations on enhanced note disclosure for tax abatements and credits. Finalization appears to be non-controversial with disclosure proposed to begin for periods after June 15, 2015. Disclosure would	Table other than procedures	Y	Notice of pending change likely to be GASB-	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>mainly have to occur for non-personally identifiable purposes, including economic development, film and television credits and similar. A workpaper should be prepared for material tax abatements including:</p> <ul style="list-style-type: none"> • General descriptive information such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; • The number of tax abatement agreements entered into during the reporting period and the total number in effect as of the end of the period; • The dollar amount of taxes abated during the period ; and • Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. <p>The workpaper should distinguish between a government's own programs and those entered into by other governments that reduce the reporting government's own tax revenues.</p>			73	
Modify	<p>Step 12c, "We evaluated whether pledges of future revenues were properly identified and disclosed in accordance with the Practice Alert preceding section I of this workpaper" should link to the Practice Alert above Section 1:</p> <p>Practice Alert: Classification of receivables with regard to nonexchange transactions is very important due to the provisions of GASB Statement No. 65 (Items Previously Reported as Assets and Liabilities). Furthermore, classifications may be different between governmental funds and proprietary funds and the statement of net position.</p> <p>GASB-65 requires deferred inflows of resources to be reported when resources associated with imposed nonexchange revenue transactions are received or reported as a receivable before (a) the period for which property taxes are levied or (b) the period when resources are required to be used or when use is first permitted for all other imposed nonexchange revenues in which the enabling legislation includes time requirements. Furthermore, providers of resources in government-mandated or voluntary nonexchange transactions frequently establish</p>	Procedure steps			

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	eligibility requirements. Resources transmitted before the eligibility requirements are met (excluding time requirements) should be reported as assets by the provider and as liabilities by the recipient. Resources received before time requirements are met, but after all other eligibility requirements have been met, should be reported as a deferred outflow of resources by the provider and a deferred inflow of resources by the recipient. In a sale of future revenues, the transferor government should report the proceeds as a deferred inflow of resources in both the government-wide and fund financial statements except for instances wherein recognition as revenue in the period of sale is appropriate (when there is an uncertainty of realization or the inability to reliably measure the revenue). If the sale of revenue is intra-entity, assets and related revenue are not reported until recognition criteria appropriate to that type of revenue are met. Instead, the transferee government should report the amount paid as a deferred outflow of resources to be recognized over the duration of the sale agreement. The transferor government should report the amount received from the intra-entity sale as a deferred inflow of resources in its government-wide and fund financial statements and recognize the amount as revenue over the duration of the sale agreement. Deferred inflows of resources and deferred outflows of resources resulting from intra-entity sales of future revenues and the periodic recognition of those balances as revenue and expense/expenditure should be accounted for similarly to internal balances and intra-entity activity within the financial reporting entity				
AUD-809 Audit Program: Payroll, Other Liabilities, and Deferred Inflows of Resources					
Modify	Added new substep 2.i. We vouched annual payroll expenditures / expense to form W-3.	Procedure steps	Y	GASB-68	
Modify	Modified substep 5.e. We evaluated whether any assets, obligations or contingent liabilities or deferred inflows of resources (or deferred outflows of resources) (e.g., actuarial losses or obligations to fund shortfalls) were required to be recognized in	Procedure steps	Y	GASB-68	

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	relation to the employee benefit plans.				
Modify	<p>Added new sub-substeps (11) thru (18) to step 5.g:</p> <p>(11) For information obtained from a cost-sharing defined benefit plan, we traced information to either a schedule provided to each employer by the plan with a corresponding AU-C 805 auditor's report from the plan and / or the aggregated information, along with the schedule of employer allocations to determine the entity's net pension liability, pension expense, deferred inflows of resources, and deferred outflows of resources.</p> <p>(12) For information obtained from a cost-sharing defined benefit plan, we compared the schedule of employer allocations to information at the entity agreeing to the methodology at the plan determining the allocations (for example, prior year contributed amounts to the plan).</p> <p>(13) We performed steps (g)(1)-(10) on information held at the entity related to the actuarial valuation information provided to the plan to obtain sufficient corroborating evidence of amounts and disclosures in items (g)(11)-(12).</p> <p>(14) For information obtained from a single or agent-multiple employer plan, we obtained the schedule of changes in fiduciary net position from the plan for the entity.</p> <p>(15) We performed steps (g)(1)-(10) on information held at the entity related to the actuarial valuation information provided to the plan to obtain sufficient corroborating evidence of amounts and disclosures in item (g)(14).</p> <p>(16) For entities that are members of either a cost-sharing multiple employer plan, a single-employer plan or an agent-multiple employer plan, we have obtained the plan's audited financial report, considered the adequacy and disclosures in the report, and have analyzed any modifications to the opinion of the report or findings related to internal controls and have determined whether modifications are needed to the entity's report with regard to post-retirement benefits.</p> <p>(17) We have considered contributions to the plan after the measurement date and have determined if the contributions were appropriately adjusted to deferred outflows of</p>	Procedure steps	Y	AU-C 805; GASB-24; GASB-68	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	resources. (18) We have considered special funding situations and traced subsidies provided by nonemployers (for example, a state department of education on behalf of a school district) to a post-employment benefit plan to revenue recorded at the entity. We have confirmed that the revenue is not netted against allocated pension expense in accordance with GASB Statement No. 24, <i>Accounting and Financial Reporting for Certain Grants and Other Financial Assistance</i> .				
Modify	Added new sub-substep 18e.(12): (12) We tested a sample of wage garnishments to determine date of withholding versus date of remittance as well as proper payee to the court order.	Procedures steps			
AUD-810 Audit Program: Long-Term Debt and Debt Service					
Modify	Modified step 2c, adding: We have documented any defaults on debt of any kind and concluded disclosure was proper for the default.	Procedures steps			
Modify	Added substeps n and o to step 2: n. For debt of all forms guaranteed by others with nonexchange financial guarantees, in accordance with GASB-70, we have obtained: <ol style="list-style-type: none"> (1) The name of the entity providing the guarantee. (2) The amount of the guarantee. (3) The length of time of the guarantee. (4) The amount paid, if any, by the entity extending the guarantee on obligations of the entity during the period, gaining assurance that the amounts are not netted against debt service. (5) The cumulative amount paid by the entity extending the guarantee on outstanding obligations of the entity. (6) A confirmation of the requirements to repay the entity that extended the guarantee. 	Procedures steps		GASB-70	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>(7) Any amounts outstanding required to be repaid to the provider of the guarantee, vouching the amount.</p> <p>o. For guarantees that are exercised for debt service and are paid by other entities, we have considered the provisions of AU-C 570, <i>Going Concern</i>, and documented our consideration and conclusions in AUD-902 Audit Program: <i>Going Concern</i>.</p>				
Modify	<p>Added step 21:</p> <p>21. We have determined that the entity is current in filing its continuing disclosure in accordance with SEC Rule 15c2-12 and has filed disclosures on a timely basis with the electronic municipal market access system at http://emma.msrb.org, unless exempted.</p> <p>a. If the entity has settled with the SEC in accordance with the Municipal Continuing Disclosure Cooperation Initiative (MCDC-i), we have obtained a copy of the consent decree and have traced the elements of the decree to any bond official statements issued after the date of the decree.</p>	Procedures steps	Y	SEC and MCDC-i	
AUD-821 Audit Program: Commitments and Contingencies					
Modify	<p>Added new substep 4.c.:</p> <p>Communications from the Securities and Exchange Commission with regard to violations of continuing disclosure agreements or settlements made with the SEC.</p>	Procedure steps	Y	SEC	
Modify	<p>Modified substep 4.h.:</p> <p>Guarantees, including indirect guarantees of indebtedness of others. (If guarantees are present, GASB-70 requires additional disclosure and if exercised, declaration of a liability in most cases.) (For guarantees that are exercised, additional procedures should be performed on the liability; see AUD-810.)</p>	Procedure steps	Y	GASB-70	
AUD-903 Audit Program- Consideration of Fraud					
Modify	<p>Modified step 9:</p> <p>We performed the required fraud inquiries of those charged with governance, the internal audit function, and others within the entity (e.g., operating personnel not directly</p>	Procedure steps	Y	AU-C 240	

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	involved in the financial reporting process and employees with different levels of authority) as deemed appropriate).				
AUD-904 Audit Program-Compliance with Laws and Regulations, Contract Provisions and Grant Agreements, and Abuse					
Modify	Modified substeps 3.a. and b.: Inquired of management and, where appropriate, those charged with governance, as to whether the entity is in compliance with such laws and regulations including continuing disclosure agreements, and Inspected correspondence, if any, with the relevant licensing or regulatory authorities including the Securities and Exchange Commission.	Procedure steps	Y	MCDC	

Auditor's Reports (RPTs)

- **NEW RPT-930 *Reports Required Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement—Defined Benefit Pensions*** has been added to provide sample reports required under AU-C 9805.02-19 related to defined benefit pension elements (examples provided for cost-sharing plans; and for agent-multiple employer plans).

Correspondence Documents (CORs)

- **2015 Knowledge-Based Audits of Governmental Entities** illustrative example correspondence documents have been updated where applicable to include new practice points, practice alerts, and examples.
- **COR-219** has been renamed ***Preapproval of Nonattest Services*** and updated for Code and Yellow Book guidance.
- **COR-825 *Request for Confirmation of Defined Benefit Pension Plan Information*** has been deleted; this information will need to come from the plan (AU-C 9805).

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
COR-214	Modify	Added new Practice Point: Practice Point: Governments may have different related parties than for-profit entities. AU-C Section 550, <i>Related Parties</i> , paragraph A6, discusses related-party relationships and transactions in state and local governments. These relationships and transactions can result from interactions with other governments, not-for-profit entities, for-profit entities, and individuals, including, but not limited to, those charged with governance. The applicable financial reporting framework used by most state and local governmental entities addresses related-party relationships and transactions using terms that include <i>related parties</i> , <i>related organizations</i> , and <i>component units</i> , and can result in the inclusion of the related parties' financial statements as a reporting unit, inclusion within a reporting unit, disclosure of the related-party transactions, or disclosure about why the related party or its transactions are not included. The objectives of inclusion or exclusion are the same—obtain	Additional Guidance and Practice Points	Y	AU-C Section 550

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
		an understanding to recognize fraud risk factors, if any arising from related-party relationships and transactions that are relevant to the identification and assessment of the risks of material misstatement due to fraud and then conclude, based on the audit evidence obtained, whether the financial statements, insofar as they are affected by those relationships and transactions, achieve fair presentation. The auditor then needs to obtain sufficient appropriate audit evidence about whether related-party relationships and transactions have been appropriately identified, accounted for, and disclosed in the financial statements.			
COR-215	Modify	<p>Modified Practice Alert:</p> <p>Practice Alert: The AICPA <i>Code of Professional Conduct—Revised</i>, ET Section 0.400.48, presents an updated definition of “those charged with governance.” The updated definition is as follows:</p> <p>The person(s) or organization(s) (for example, a [board or council member]) with responsibility for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel (for example, executive members of a governance board or an owner-manager).</p> <p>When an <i>interpretation</i> requires communicating with those charged with governance, the <i>member</i> should determine the appropriate person(s) within the entity’s governance structure with whom to communicate, based on the nature and importance of the particular circumstances and matter to be communicated. If the <i>member</i> communicates with a subgroup of those charged with governance (for example, an audit committee or an individual), the <i>member</i> should determine whether communication with all of those charged with governance is also necessary, so that they are adequately informed.</p>	Additional Guidance and Practice Points	Y	Code
COR-219	Modify	Renamed Preapproval of Nonattest Services; updated for Code and Yellow Book guidance.		Y	Code; Yellow Book
COR-810	Modify	Added a new note on self-insurance.	Additional Guidance and Practice Points	Y	AU-C Section 500
COR-816	Modify	<p>Added new Practice Alert:</p> <p>Practice Alert: This confirmation may be used for departments, legislative bodies, and counsel that issue nonexchange financial guarantees in accordance with GASB Statement No. 70, <i>Accounting and Financial Reporting for Nonexchange Financial Guarantees</i>. This should be considered for governments that extend guarantees to legally separate entities a commitment to indemnify the holder of the obligation if the entity fails to fulfill its payments (of any sort) without receiving consideration. It also should be used for governments that issue debt that has been guaranteed by another legally separate party without consideration having been provided.</p> <p>Additional questions that should be asked of counsel to governments that extend financial guarantees:</p> <ol style="list-style-type: none"> a. Please list any and all forms of debt that have been extended nonexchange financial guarantees, including: <ol style="list-style-type: none"> i. The likelihood that the government will be required to make a payment based on <i>qualitative factors</i>, such as financial difficulty, receivership, bankruptcy, history of default, and other factors including, but not limited to: <ul style="list-style-type: none"> • Failure to make timely transfers of deposits from debt service funds to paying agents 	Additional Guidance and Practice Points	Y	GASB-70

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
		<ul style="list-style-type: none"> or trustees; • Draw ing on a debt service reserve fund to make debt service payments; • Initiation of the process by a creditor to intercept receipts to make a debt service payment; • Debt holder concessions; • Significant investment losses; • Loss of a major revenue source; • Significant increase in noncapital disbursements in relation to operating or current revenues; or • Commencement of financial supervision by another government. <p>The overall assessment should be expressed as either less likely than not or more likely than not.</p> <p>b. If the answer to above is more likely than not:</p> <ol style="list-style-type: none"> Confirm the best estimate of the discounted present value of the future outflows expected to be incurred as part of the guarantee (often the debt service schedule); If there is no best estimate, but a range of estimates can be established and no estimate is better than another, confirm the minimum estimate in the range; The legal authority and limits for extending the guarantees and types of obligations guaranteed; The relationship to the entity(ies) whose obligations are guaranteed; The period (length of time) of the guarantees; Provisions for recovering payments from the issuers of the guaranteed obligations; The total amount of all guarantees outstanding; For liabilities recognized: <ol style="list-style-type: none"> Beginning of year balances; Increases (initial recognition and adjustments); Guarantee payments made and adjustments decreasing estimates; End of year balances; Cumulative payments made on outstanding guarantees; and Amounts expected to be recovered from payments made. <p>For issuers of guaranteed obligations, similar confirmed amounts and disclosures should occur.</p>			
COR-820	Modify	Added new columns for Amounts Received before the Period of Levy or before the Period When Resources Are Required to Be Used or When Use Is First Permitted (time requirements) and for Amounts Subject to Eligibility Restrictions.	Table	Y	GASB-65
COR-821	Modify	<p>Added new table for Abatements and Credits and added new Practice Alert:</p> <p>Practice Alert: The GASB is in the midst of finalizing an exposure draft, <i>Tax Abatement Disclosures</i>, which appears to be noncontroversial. Tax abatement disclosures will be added to the notes to the basic financial statements and distinguished between tax abatements resulting from agreements entered into by the reporting government and agreements entered into by other</p>	Additional Guidance and Practice Points	Y	Exposure Draft: <i>Tax Abatement Disclosures</i> ; Notice of

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
		<p>governments that reduce the reporting government's tax revenues. The information should be organized by each major tax abatement program, such as economic development and film production incentives. All others may be aggregated. Disclosures comment in the period in which the tax abatement agreement is entered into and continues until the tax abatement agreement expires. The following will be required, likely for fiscal years beginning after June 15, 2015:</p> <p>a. General descriptive information, including:</p> <p>(1) Name and purpose of the tax abatement program(s), and the specific taxes being abated.</p> <p>(2) The authority under which tax abatement agreements are entered into.</p> <p>(3) The criteria that make a recipient eligible to receive a tax abatement.</p> <p>(4) The mechanism by which the taxes are abated, including:</p> <p>(a) How the tax abatement recipient's taxes are reduced, such as through a reduction of assessed value or a refund of taxes paid; and</p> <p>(b) How the amount of the tax abatement is determined, such as a specific dollar amount or a specific percentage of taxes owed.</p> <p>(5) Provisions for recapturing abated taxes, if any, including the conditions under which abated taxes become eligible for recapture.</p> <p>(6) For tax abatement agreements entered into by the reporting government, the types of commitments made by the recipients of the tax abatements.</p> <p>b. The number of tax abatement agreements entered into during the reporting period and the total number of tax abatement agreements in effect as of the end of the reporting period.</p> <p>c. The dollar amount by which the reporting government's tax revenues were reduced during the reporting period as a result of tax abatement agreements.</p> <p>d. A description of:</p> <p>(1) The types of commitments other than to reduce taxes, if any, made by the reporting government in the tax abatement agreements; and</p> <p>(2) The most significant individual commitments other than to reduce taxes, if any, made by the reporting government in tax abatement agreements. Information about a commitment other than to reduce taxes should be disclosed until the reporting government has fulfilled the commitment.</p>			pending change likely to be GASB-73
COR-822	Modify	Updated for 2CFR200, as auditors will need to distinguish between awards received prior to the implementation date of the requirements and those that are subject to the terms and conditions of 2CFR200; this segregation is important to determine major programs, audit threshold, and compliance requirements.		Y	2CFR200
COR-901	Modify	Updated for consistency with CORE; updated the "Information Provided" section.	text	Y	GASB-70; SEC Rule 240
COR-903	Modify	<p>Updated; added new Practice Alert:</p> <p>Practice Alert: The AICPA <i>Code of Professional Conduct—Revised</i>, ET Section 0.400.48, presents an updated definition of "those charged with governance." The updated definition is as follows:</p> <p>The person(s) or organization(s) (for example, a [board or council member]) with responsibility for</p>	text	Y	Revised Code

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
		<p>overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process. Those charged with governance may include management personnel (for example, executive members of a governance board or an owner-manager).</p> <p>When an <i>interpretation</i> requires communicating with those charged with governance, the <i>member</i> should determine the appropriate person(s) within the entity's governance structure with whom to communicate, based on the nature and importance of the particular circumstances and matter to be communicated. If the <i>member</i> communicates with a subgroup of those charged with governance (for example, an audit committee or an individual), the <i>member</i> should determine whether communication with all of those charged with governance is also necessary, so that they are adequately informed.</p>			
COR-904	Modify	<p>Updated Practice Alert; added new Practice Alert:</p> <p>Practice Alert: This communication must be made within the time limit in which the complete assembly of the final audit file is ordinarily done, but not more than 30 days after the date of the auditor's report and no more than nine months after year end. If the due date falls on a Saturday, Sunday, or a federal holiday, Section 200.512 of the <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i>, as well as the instructions to the Data Collection Form allow the reporting package to be due the next business day.</p> <p>Practice Alert: The instructions to the Data Collection Form and the <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i>, require for findings issued on or after January 2, 2015, to be in a numbering format with a four-digit year, a hyphen (-) and a three-digit finding number with leading zeros (e.g., 2015-015). The following is required by Section 200.516(b) of the <i>Uniform Administrative Requirements</i> and should be implemented for 2014 audits and forward submitted after January 2, 2015:</p> <p>(1) Federal program and specific federal award identification, including the CFDA title and number, federal award identification number and year, name of federal agency, and name of the applicable pass-through entity. When information, such as the CFDA title and number or federal award identification number, is not available, the auditor must provide the best information available to describe the federal award.</p> <p>(2) The criteria or specific requirement upon which the audit finding is based, including the federal statutes, regulations, or the terms and conditions of the federal awards. Criteria generally identify the required or desired state or expectation with respect to the program or operation. Criteria provide a context for evaluating evidence and understanding findings.</p> <p>(3) The condition found, including facts that support the deficiency identified in the audit finding.</p> <p>(4) A statement of cause that identifies the reason or explanation for the condition or the factors responsible for the difference between the situation that exists (condition) and the required or desired state (criteria), which may also serve as a basis for recommendations for corrective action.</p> <p>(5) The possible asserted effect to provide sufficient information to the auditee and federal agency, or pass-through entity in the case of a subrecipient, to permit them to determine the cause and effect to facilitate prompt and proper corrective action. A statement of the effect or potential effect should provide a clear, logical link to establish the impact or potential impact of the difference between the condition and the criteria.</p> <p>(6) Identification of questioned costs and how they were computed. Known questioned costs must be identified by applicable CFDA number(s) and applicable federal award identification</p>	text	Y	Section 200.512 of the <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> ; Data Collection Form instructions; 2CFR-200

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
		<p>number(s).</p> <p>(7) Information to provide proper perspective for judging the prevalence and consequences of the audit findings, such as whether the audit findings represent an isolated instance or a systemic problem. Where appropriate, instances identified must be related to the universe and the number of cases examined and be quantified in terms of dollar value. The auditor should report whether the sampling was a statistically valid sample.</p> <p>(8) Identification of whether the audit finding was a repeat of a finding in the immediately prior audit and if so any applicable prior year audit finding numbers.</p> <p>(9) Recommendations to prevent future occurrences of the deficiency identified in the audit finding.</p> <p>(10) Views of responsible officials of the auditee.</p> <p>The same principles of disclosure for federal awards may be used for non-federal findings and are encouraged to do so for consistency and ease of reference.</p>			

Practice Aids (AIDs)

- **2015 Knowledge-Based Audits of Governmental Entities** practice aids have been updated throughout to include new considerations and examples where applicable. Additional significant changes are as follows:
- All AIDs have been updated with formulas that perform automatic calculations, wherever applicable.
- **NEW AID-837 Board Minute Review Checklist** designed to aid the auditor in documenting his or her review of the entity's committee meeting minutes.
- **NEW AID-838 Dual-Purpose Testing Worksheet** added as in CORE to facilitate testing for multiple purposes.
- **Deleted: AID-817** – Rarely or never used.
- **Deleted: AID-820** – Rarely or never used.
- **Deleted: AID-821** – Rarely or never used.
- **AID-201 Nonattest Services Independence Checklist** – Updated for Revised Code of Ethics references; AICPA *Nonattest Services* interpretation; added a Practice Alert for SSARS-21.
- **AID-301 Preliminary Analytical Procedures-Fluctuation and Ratio Analysis** – Added ratios; modified for GASB-68.
- **AID-822 Capital Assets-Summary Analysis** – Modified to add rows for assets held under lease; leased assets; intangible assets.
- **AID-827 Deferred Outflows of Resources and Deferred Inflows of Resources Analysis** – Modified with changes for GASB-53, 60, 65, 67, 68, 69, and 71.
- **AID-901 Differences of Professional Opinion** added a signoff for the engagement quality control reviewer.

Resource Documents (RESs)

- **RES-001 Knowledge-Based Audit Methodology Overview** has been updated to reflect the updated workpapers and related requirements; modified with added notes on 2CFR200, MCDC, and SSARS-21.
- **RES-002 Index of Audit Programs, Forms, and Other Practice Aids** has been modified as appropriate to incorporate new workpapers.
- **RES-009 Entity-Level Controls: Examples of Control Activities for Each Internal Control Component and Related Relevant Principles and Points of Focus** has been modified to conform to government operations.
- **RES-013 Assertions and Examples of "What Can Go Wrong" and Related Controls That Address What Can Go Wrong: Payroll and Other Liabilities** has been modified to conform to government operations.

- **RES-014 *Assertions and Examples of "What Can Go Wrong" and Related Controls That Address What Can Go Wrong: Treasury*** has been modified to for private placements and other issues.
- **RES-019 *Factors to Be Considered When Documenting Client/Engagement Acceptance and Continuance*** has been modified for government operations and updated for the revised Code.

In addition, forms and practice aids throughout have been updated, where applicable, to take into account:

Information related to new literature, standards, and developments applicable to state and local governments that are reflected in the following current audit and accounting guidance:

AICPA Statements on Auditing Standards (SAS):

- SAS-129, *Letters for Underwriters and Certain Other Requesting Parties*

AICPA Statement on Quality Control Standards No. 8 (SQCS-8), *A Firm's System of Quality Control (Redrafted)*
AICPA's Code of Professional Conduct—Revised

AICPA Audit and Accounting Guides:

- *Government Auditing Standards and Circular A-133 Audits*
- *State and Local Governments*

AICPA Audit Risk Alerts:

- *State and Local Governmental Developments—2014*
- *Government Auditing Standards and Circular A-133 Developments—2014*

Governmental Accounting Standards Board Statements (GASBs) currently in effect or to begin for periods after June 15, 2015, including GASB-71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB-68*

U.S. Government Accountability Office:

- *Government Auditing Standards—December 2011 Revision (The Yellow Book)*

White House Office of Management and Budget and the Council on Financial Assistance Reform:

- 2CFR200 (implementation began on December 26, 2014, and is staggered by grant award)

Also incorporated:

- Practice Alerts for SSARS-21
- Changes made to OMB Circular A-133 through the issuance of the March 2014 *Compliance Supplement*
- Changes with respect to disclosures related to GASB Standards that are currently in effect or to begin for periods after June 15, 2015
- Updates in accordance with 2013 *Internal Control-Integrated Framework* (Framework) established by the Committee of Sponsoring Organizations of the Treadway Commission

RELATED, FOUNDATIONS AND ASSOCIATION WORKPAPERS FOR THIS TITLE

Related workpapers are Knowledge Coach Word workpapers where information flows in or out of tables within the workpaper. Some of these related workpapers are Foundation workpapers or associated workpapers.

Foundation Workpapers include most of the Communication Hub workpapers, which are central to the Knowledge-Based Audit Methodology used by the Knowledge Coach titles.

Associated workpapers require you to associate them with custom values, such as audit areas, specialists, service organizations, and other items. Workpapers require an association when you need to have more than one instance of a particular Knowledge Coach workpaper in your binder for each type of item to which the workpaper is related. Making this association allows Knowledge Coach information to flow properly between workpapers.

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA s	KNOWLEDGE-BASED AUDIT DOCUMENTS		
KBA-101	Overall Audit Strategy	X	
KBA-102	Engagement Completion Document	X	
KBA-103	Evaluating and Communicating Internal Control Deficiencies and Noncompliance	X	
KBA-105	Review of Significant Accounting Estimates	X	
KBA-200	Entity Information and Background	X	
KBA-201	Client/Engagement Acceptance and Continuance Form		
KBA-201N	Client/Engagement Acceptance and Continuance Form: Noncomplex Entities		
KBA-301	Worksheet for Determination of Materiality, Performance Materiality, and Thresholds for Trivial Amounts		
KBA-302	Understanding the Entity and Its Environment: Complex Entities		
KBA-302N	Understanding the Entity and Its Environment: Noncomplex Entities		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-303	Inquiries of Management and Others within the Entity about the Risks of Fraud		
KBA-400	Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures	X	
KBA-401	Understanding Entity-Level Controls: Complex Entities		
KBA-401N	Understanding Entity-Level Controls: Noncomplex Entities		
KBA-402	Understanding General Controls for Information Technology		
KBA-403	Understanding Activity-Level Controls: Revenue, Receivables, and Cash Receipts		
KBA-404	Understanding Activity-Level Controls: Purchases, Inventory, and Capital Assets		
KBA-405	Understanding Activity-Level Controls: Accounts Payable and Disbursements		
KBA-406	Understanding Activity-Level Controls: Payroll		
KBA-407	Understanding Activity-Level Controls: Treasury		
KBA-408	Understanding Activity-Level Controls: Financial Reporting and Closing Process		
KBA-409	Understanding Controls Maintained by a Service Organization		X
KBA-502	Summary of Risk Assessments	X	
KBA-503	Basis for Inherent Risk Assessment		
KBA-902	Audit Review and Approval Checklist		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-903	Audit Documentation Checklist		
AUDs	AUDIT PROGRAMS		
AUD-100	Overall Tailoring Questions	X	
AUD-101	Overall Audit Program	X	
AUD-201	Audit Program: Opening Balances and Additional Audit Procedures for an Initial Audit Engagement		
AUD-602	Audit Program: Involvement of a Component Auditor		X
AUD-603	Audit Program: Using the Work of an Auditor's Specialist		X
AUD-604	Audit Program: Using the Work of a Management's Specialist		X
AUD-701	Audit Program: Designing Tests of Controls		
AUD-800	Audit Program: Custom		X
AUD-801	Audit Program: Cash		
AUD-802	Audit Program: Investments and Investment-Related Activities		
AUD-803	Audit Program: Exchange Revenues and Receivables		
AUD-804	Audit Program: Nonexchange Revenues and Receivables		
AUD-805	Audit Program: Inventories and Cost of Goods Sold		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-806	Audit Program: Prepaid Expenses and Other Assets or Deferred Outflows of Resources		
AUD-807	Audit Program: Capital Assets and Depreciation Including Service Concession Arrangements		
AUD-808	Audit Program: Accounts Payable and Purchases		
AUD-809	Audit Program: Payroll, Other Liabilities, and Deferred Inflows of Resources		
AUD-810	Audit Program: Long-Term Debt and Debt Service		
AUD-811	Audit Program: Net Position and Fund Balance		
AUD-812	Audit Program: Other Income and Expenditures/Expenses		
AUD-813	Audit Program: Journal Entries and Financial Statement Review		
AUD-814	Audit Program: Related-Party Transactions		
AUD-815	Audit Program: Fair Value Measurements and Disclosures		
AUD-816	Audit Program: Interfund Transactions		
AUD-817	Audit Program: Budgets		
AUD-818	Audit Program: Derivative Instruments		
AUD-819	Audit Program: Self-Insurance		
AUD-820	Audit Program: Municipal Solid Waste Landfill		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-821	Audit Program: Commitments and Contingencies		
AUD-822	Audit Program: Accounting Estimates		
AUD-823	Audit Program: Concentrations		
AUD-901	Audit Program: Subsequent Events		
AUD-902	Audit Program: Going Concern		
AUD-903	Audit Program: Consideration of Fraud		
AUD-904	Audit Program: Compliance with Laws and Regulations, Contract Provisions and Grant Agreements, and Abuse		
AIDs	PRACTICE AIDs		
AID-304	Understanding the Entity's Revenue Streams and Revenue Recognition Policies		
AID-601	Considering the Use of the Work of Internal Auditors		
AID-603	Group Engagement Documentation		
AID-702	Results of Tests of Controls		
AID-801	Audit Sampling Worksheet for Substantive Tests of Details		
AID-901	Differences of Professional Opinion		
AID-903	Audit Report Preparation Checklist		

Additional Information for Associated Workpapers

The following tables list the workpapers that require association in this title, along with the information that must be completed before you can insert each workpaper.

Workpaper Requiring Association	What is it associated with?		
	Workpaper	Table/Question	Association Item (Custom Value)
KBA-409 Understanding Ctrl's: Service Org (Custom)	AUD-100 Tailoring Question Workpaper	Does the entity use service organizations? is "Yes" Shows the "Document the service organizations used by the entity." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the service organizations used by the entity.	Service Organization
AUD-602 Audit Program: Component Auditor Involvement (Custom)	AUD-100 Tailoring Question Workpaper	Does the auditor plan to rely on audit evidence provided by a component auditor? is "Yes" Shows the "Document the audit evidence provided by the component auditor(s) that we will rely on in our engagement." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the audit evidence provided by the component auditor(s) that the engagement team will rely on in our engagement.	Audit Firm Name
AUD-603 Audit Program: Auditor's Specialist (Custom)	AUD-100 Tailoring Question Workpaper	Does the auditor intend to use a specialist on our audit? is "Yes" Shows the "Document the expected use of a specialist(s) on our audit." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the expected use of a specialist(s) on our audit. Then select Auditor's Specialist from the Type of Specialist Column	Specialist Firm Name
AUD-604 Audit Program: Management's Specialist (Custom)	AUD-100 Tailoring Question Workpaper	Does the auditor intend to use a specialist on our audit? is "Yes" Shows the "Document the expected use of a specialist(s) on our audit." table in KBA-101 Overall Audit Strategy.	
	KBA-101 Overall Audit Strategy	Document the expected use of a specialist(s) on our audit. Then select Management's Specialist from the Type of Specialist Column.	Specialist Firm Name
AUD-800 Audit Program: (Custom)	AUD-100 Tailoring Question Workpaper	What financial statement audit areas are applicable to this engagement? "Customize Audit Area" link within the answer selection box.	Custom Audit Area