

# 2014 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 2014 edition of *Knowledge-Based Audits of Governmental Entities* is current through SAS-128 and GASB-71 and includes the following updates:

### Knowledge-Based Audit Documents (KBAs)

- Instructions have been modified to:
  - Reflect the requirements of the clarified auditing standards;
  - Provide additional guidance on the KBA methodology to enhance usability; and
  - Better describe the use of each document.

| Type of Change  | Description of Change  | Location | Based on Standard Y/N | Standard Reference | Roll Forward and Update Content Considerations   |
|---|--|----------|-----------------------|--------------------|--|
| <b>KBA-101 Overall Audit Strategy</b>                                     |  |          |                       |                    |  |
| Modify  | Section I, Reporting Requirements table                      |          |                       |                    | Responses to questions will now flow in from KBA-200, data previously entered in this workpaper will be captured and retained on rollforward in KBA-200  |
| New   | Section I, Audit Coverage, Subsidiary Table                  |          |                       |                    | Responses to questions will now flow in from KBA-200, data previously entered in this workpaper will be captured and retained on rollforward in KBA-200. This table will be combined with the table that was in KBA-201, please review for potential duplicates.   |
| Delete  | Section I, Reliance on Others, Key Engagement Contacts Table |          |                       |                    | Responses to questions will now flow in from KBA-200, data previously entered in this workpaper will be captured and retained on rollforward in KBA-200. This table will be combined with the table that was in KBA-302 and KBA-302N, please review for potential duplicates. You can also add additional contacts if necessary. |
| <b>KBA-103 Evaluating and Communicating Internal Control Deficiencies</b> |  |          |                       |                    |  |

| Type of Change   | Description of Change  | Location                      | Based on Standard Y/N | Standard Reference | Roll Forward and Update Content Considerations  |
|--|--|-------------------------------|-----------------------|--------------------|---|
| Modify   | Modified instructions to include guidance on potential effects of deficiencies noted by the auditor.   | Instructions                  | Y                     | AU-C 265           |   |
| <b>KBA-200 Entity Information and Background</b>   |  |                               |                       |                    |   |
| New  | New workpaper developed to capture relevant entity information and background details in one workpaper.  | Table other than procedures   | N                     |                    | This is a new foundation workpaper that will capture, combine, and retain data entered into KBA-101, KBA-201, KBA-302 and KBA-302N. Due to the combination of data from multiple sources please review for duplicates and accuracy.   |
| <b>KBA-201 Client/Engagement Acceptance and Continuance Form: Complex Entities</b>                                     |  |                               |                       |                    |   |
| Delete   | Removed Part I, Section I - Background and Basic Information, moved to new <b>KBA-200</b> .  | Table other than procedures   | N                     |                    | Data previously entered in this workpaper will be captured and retained on rollforward in KBA-200   |
| New  | New inquiry under Section II. Assessing the entity's financial viability:<br>4. a. Have there been out of the ordinary draws from reserve accounts for operating purposes?                     | Procedure steps               | N                     | N/A                |   |
| <b>KBA-201N Client/Engagement Acceptance and Continuance Form: Noncomplex Entities</b>                                 |  |                               |                       |                    |   |
| New  | New workpaper developed to allow the auditor the option of documenting his or her client/engagement acceptance decisions in a memorandum format, based on the circumstances of the engagement. | Table other than procedures   | N                     |                    |   |
| <b>KBA-301 Worksheet for Determination of Materiality, Performance Materiality, and Thresholds for Trivial Amounts</b> |  |                               |                       |                    |   |
| New  | This workpaper has been moved to a word document to better facilitate flow and rollforward retention in Knowledge Coach.   | Table - other than procedures | N                     |                    |   |
| <b>KBA-302 Understanding the Entity and Its Environment: Complex Entities</b>  |  |                               |                       |                    |   |
| Modify   | Section I: Entity Information  | Table other than procedures   | N                     |                    | Responses to questions will now flow in from KBA-200, data previously entered in this workpaper will be captured and retained on rollforward in KBA-200. This table will be combined with tables that are in KBA-101, KBA-201 and KBA-302N, please review for potential duplicates. |
| Delete   | Removed "No" from the options in the "Considered" column.  | Table other than procedures   | N                     |                    |   |

| Type of Change  | Description of Change  | Location                    | Based on Standard Y/N | Standard Reference      | Roll Forward and Update Content Considerations  |
|---|--|-----------------------------|-----------------------|-------------------------|---|
| New   | Added new consideration (15.c.) regarding management's belief that their level of authority justifies certain level of compensation and personal privileges. | Table other than procedures | Y                     | AU-C 240                |   |
| <b>KBA-302N Understanding the Entity and Its Environment: Noncomplex Entities</b> |  |                             |                       |                         |   |
| Modify  | Section I: Entity Information  | Table other than procedures | N                     |                         | Responses to questions will now flow in from KBA-200, data previously entered in this workpaper will be captured and retained on rollforward in KBA-200. This table will be combined with tables that are in KBA-101, KBA-201 and KBA-302N, please review for potential duplicates. |
| <b>KBA-503 Basis for Assessment of Inherent Risk of Noncompliance</b>             |  |                             |                       |                         |   |
| Modify  | Instructions modified to better define audit approaches.   | Instructions                | N                     | N/A                     |   |
| <b>KBA-901 Financial Statement Disclosures Checklist</b>                          |  |                             |                       |                         |   |
| Modify  | Updated for new accounting pronouncements.   | Procedure steps             | Y                     | GASB-65 through GASB-70 |   |

### Audit Programs (AUDs)

- Where applicable, relevant assertions and audit objectives have been updated.

| Type of Change                              | Description of Change  | Location        | Based on Standard Y/N | Standard Reference | Roll Forward Considerations  |
|---|--|-----------------|-----------------------|--------------------|--|
| <b>AUD-100 Tailoring Question Workpaper</b> |  |                 |                       |                    |  |
| New   | New tailoring questions have been added.   | Tailoring       | N                     | N/A                | Review and answer. All of these new tailoring questions will impact other workpapers. Be sure to add additional audit areas (AUD 819-821) when applicable. |
| <b>AUD-101 Overall Audit Program</b>        |  |                 |                       |                    |  |
| Modify                                      | Modified step and added new Practice Point:<br>59. Determine whether to test the operating effectiveness of internal controls over financial reporting. If testing the operating effectiveness of internal controls for significant audit areas, document the planned approach to testing, results | Procedure steps | N                     | N/A                |  |

| Type of Change | Description of Change  | Location        | Based on Standard Y/N | Standard Reference | Roll Forward Considerations |
|----------------|--|-----------------|-----------------------|--------------------|-----------------------------|
|                | <p>of testing, and conclusions.</p> <p><b>Practice Point:</b> The auditor should design and perform tests of controls to obtain sufficient appropriate audit evidence about the operating effectiveness of relevant controls if :</p> <ul style="list-style-type: none"> <li>The auditor's assessment of risks of material misstatement at the relevant assertion level includes an expectation that the controls are operating effectively (that is, the auditor intends to rely on the operating effectiveness of controls in determining the nature, timing, and extent of substantive procedures); or</li> <li>Substantive procedures alone cannot provide sufficient appropriate audit evidence at the relevant assertion level.</li> </ul>   |                 |                       |                    |                             |
| Modify         | <p>Added new Practice Point at step 68, referencing new <b>AID-603</b>:</p> <p>68. Perform procedures to identify events occurring between the financial statement date and the date of the audit report.</p> <p><b>Practice Point:</b> <i>AID-603 Group Engagement Documentation</i> contains the documentation hub for Group Audits and Components. <i>AU-C Section 600 Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors)</i> paragraph .40 discusses that when the group engagement team or component auditors perform audits on the financial information of components, the group engagement team or the component auditors should perform procedures designed to identify events at those components that occur between the dates of the financial information of the components and the date of the auditor's report on the group financial statements and that may require adjustment to, or disclosure in, the group financial statements. These events should be documented in <i>AUD-901</i> and referenced in <i>AID-603</i>.</p> | Procedure steps | N                     | N/A                |                             |
| Modify         | <p>83. Consider whether evidence obtained during the audit indicates that there is substantial doubt about the entity's ability to continue as a going concern.</p>  | Procedure steps | N                     | N/A                |                             |
| Modify         | <p>Added new Practice Point:</p> <p>95. Communicate significant findings and appropriate matters from the audit to those charged with governance.</p> <p><b>Practice Point:</b> In some circumstances, such as when required by law, regulation, or contractual provisions, it may be necessary to communicate such matters to outside parties, such as federal or</p>   | Procedure steps | N                     | N/A                |                             |

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|--|---|-----------------|-----------------------|-----------------------|-----------------------------|
|  | state audit agencies.   |                 |                       |                       |                             |
| <b>AUD-201 Audit Program: Opening Balances and Additional Audit Procedures for an Initial Audit Engagement</b> |   |                 |                       |                       |                             |
| Modify   | <p>7. d. Observed inventory and made appropriate test counts; performed inventory price tests; identified any excess or obsolete inventory; performed shipping and receiving cutoff procedures; and considered inventory valuations for lower of cost or market.</p> <p><b>Practice Point:</b> Inventory is rarely material for most governments; perform if material.</p> <p>e. Tested capital assets, including infrastructure and intangible assets, giving appropriate consideration to significant additions and retirements, depreciation methods, useful lives, and impairment issues.</p> <p>f. Tested prepaid expenses, deferred outflows of resources (if GASB Statement No. 65 implemented, otherwise deferred charges), intangible assets, and other assets and considered the reasonableness of the remaining asset balances.</p> <p>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 or the client has implemented GASB Statement No. 65).</p> | Procedure steps | Y                     | GASB Statement No. 65 |                             |
| <b>AUD-601 Audit Program: Testing and Evaluating Internal Auditors' Work</b>                                   |   |                 |                       |                       |                             |
| Modify   | <p>This audit program has been designed to assist the auditor in accomplishing the following objectives when the auditor expects to use the work of the internal audit function to modify the nature or timing, or reduce the extent, of audit procedures to be performed:</p> <ul style="list-style-type: none"> <li>Determine whether the work of the internal audit function or direct assistance from the internal auditors can be used, and if so, in which areas and to what extent;</li> <li>If using the work of the internal audit function to obtain audit evidence, determine whether such</li> </ul>  | Purpose         | Y                     | SAS-128; AU-C 610     |                             |

| Type of Change | Description of Change   | Location        | Based on Standard Y/N | Standard Reference    | Roll Forward Considerations |
|----------------|---|-----------------|-----------------------|-----------------------|-----------------------------|
|                | <p>work is adequate for the purposes of the audit; and</p> <ul style="list-style-type: none"> <li>If using internal auditors to provide direct assistance, determine the appropriate level of direction, supervision, and review of their work.</li> </ul>  |                 |                       |                       |                             |
| Modify         | <p>AU-C Section 610, <i>Using the Work of Internal Auditors</i>, provides further guidance on this topic.</p> <p><b>Practice Alert:</b> In February 2014, the AICPA's Auditing Standards Board (ASB) released Statement on Auditing Standards (SAS) No. 128, <i>Using the Work of Internal Auditors</i>. The SAS is part of the convergence project between the ASB and the International Auditing and Assurance Standards Board (IAASB) and was developed using International Standard on Auditing (ISA) 610 (Revised 2013) as a base. Substantive differences in objectives, definitions, or requirements between the SAS and ISA 610 (Revised 2013) are identified in the exhibit to the SAS.</p> <p>Consistent with ISA 610 (Revised 2013), the SAS introduces the concept of a "systematic and disciplined approach," which is not included in the superseded SAS-65, <i>The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements</i>. SAS-128 requires, among other things, as a prerequisite to being able to use the work of the internal audit function, that the external auditor evaluate the application by the internal audit function of a systematic and disciplined approach, including quality control. SAS-128 provides application guidance in regards to the evaluation of the application of a systematic and disciplined approach by the internal audit function. The ASB believes that relative to the superseded SAS-65, this requirement represents an additional and explicit evaluation which the external auditor would need to perform to conclude on the appropriateness of using the work of the internal audit function in obtaining audit evidence.</p> <p>SAS-128 will be effective for audits of financial statements for periods ending on or after December 15, 2014.</p> <p>This practice aid incorporates the requirements and guidance included in SAS-128.</p> | Instructions    | Y                     | SAS-128;<br>AU-C 610  |                             |
| Modify         | <p>Section I title changed to:</p> <p>Section I: Using the Work of the Internal Audit Function in Obtaining Audit Evidence</p>  | Section I title | Y                     | SAS-128<br>– AU-C 610 |                             |
| Modify         | <p>Modified and added steps &amp; substeps to Section I as follows:</p>   | Procedure steps | Y                     | SAS-128<br>– AU-C     |                             |

| Type of Change | Description of Change  | Location  | Based on Standard Y/N | Standard Reference  | Roll Forward Considerations |
|----------------|--|-----------|-----------------------|---------------------|-----------------------------|
|                | <p>1. We discussed the planned use of the work of the internal audit function with the internal auditors, as a basis for coordinating respective duties.</p> <p>2. We evaluated the internal audit function, including the following:</p> <ul style="list-style-type: none"> <li>a. The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors.</li> <li>b. The level of competence of the internal audit function.</li> <li>c. Whether the internal audit function applies a systematic and disciplined approach, including quality control.</li> </ul> <p><b>Practice Point:</b> The external auditor should not use the work of the internal audit function in obtaining audit evidence if the external auditor determines that:</p> <ul style="list-style-type: none"> <li>• The function's organizational status and relevant policies and procedures do not adequately support the objectivity of internal auditors;</li> <li>• The function lacks sufficient competence; or</li> <li>• The function does not apply a systematic and disciplined approach, including quality control.</li> </ul> <p>d. Whether the nature, timing, and extent of the internal audit function's work was appropriate to meet our objectives and relevant to the overall audit strategy and audit plan.</p> <p>e. Whether workpapers adequately documented the work performed, including evidence of supervision and review.</p> <p>f. Whether any exceptions or unusual matters were properly resolved.</p> <p>3. Our communication with those charged with governance of the planned scope and timing of the audit included how we plan to use the work of the internal audit function in obtaining audit evidence.</p> <p>4. We read the reports of the internal audit function which relate to the work of the function that we plan to use to obtain an understanding of the nature and extent of audit procedures the internal audit function performed and the related findings.</p> |           |                       | 610                 |                             |
| Modify         | 5.a Examining some of the controls, transactions, or balances that the internal auditors examined, and   | Procedure | Y                     | SAS-128<br>AU-C 610 |                             |

| Type of Change | Description of Change  | Location        | Based on Standard Y/N | Standard Reference  | Roll Forward Considerations |
|----------------|--|-----------------|-----------------------|---------------------|-----------------------------|
|                | reperforming some of the work;   | steps           |                       |                     |                             |
| Modify         | <p>6. We evaluated whether:</p> <p>a. The work of the internal audit function had been properly planned, performed, supervised, reviewed, and documented;</p> <p>b. Audit programs used were adequate and the evidence obtained by the internal audit function was sufficient and appropriate to draw reasonable conclusions;</p> <p>c. Conclusions reached are appropriate in the circumstances and the reports prepared by the internal audit function are consistent with the results of the work performed; and</p> <p>d. Management has responded to the findings and recommendations of the internal audit function regarding deficiencies in internal control relevant to the audit, whether and how such responses have been implemented, and whether they have been subsequently evaluated by the internal audit function.</p>  | Procedure steps | Y                     | SAS-128<br>AU-C 610 |                             |
| Modify         | 7. We performed procedures and compared the results of our tests with the results of the internal auditors' work and documented our conclusions on the adequacy of the work performed by internal auditors.  | Procedure steps | Y                     | SAS-128<br>AU-C 610 |                             |
| Modify         | <p>8. We made all significant judgments in the audit engagement, including those related to assessing the risks of material misstatement and evaluating various matters such as the sufficiency of tests performed, significant accounting estimates, and the adequacy of disclosures in the financial statements.</p> <p>9. We determined that using of the work of the internal audit function did not preclude us from being sufficiently involved in the audit to fulfill our responsibility for the audit opinion expressed.</p> <p>10. We documented our evaluation of the internal audit function performed above, the nature and extent of the internal audit work used and the basis for that decision, and the audit procedures we performed to evaluate the adequacy of the work of internal auditors used.</p> <p>11. We communicated our understanding and our conclusions about the internal audit function to those</p> | Procedure steps | Y                     | SAS-128<br>AU-C 610 |                             |



| Type of Change | Description of Change   | Location        | Based on Standard Y/N | Standard Reference | Roll Forward Considerations |
|----------------|---|-----------------|-----------------------|--------------------|-----------------------------|
|                | charged with governance, including how the auditor and the internal auditors work together in a constructive and complementary manner, any planned use of the work of the internal audit function in obtaining audit evidence, and the nature and extent of any planned use of internal auditors to provide direct assistance.  |                 |                       |                    |                             |
| Modify         | Section II – Instructions modified:<br>Complete this section if using internal auditors to provide direct assistance to carry out audit procedures that otherwise would be performed directly by the external auditor on the engagement.  | Instructions    | Y                     | SAS-128 – AU-C 610 |                             |
| Modify         | Section II modified with added steps:<br><ol style="list-style-type: none"> <li>1. We have evaluated the existence and significance of threats to the internal auditors’ objectivity, any safeguards applied to reduce or eliminate the threats, and the level of competence of the internal auditors who will be providing such assistance.</li> <li>2. In determining the nature and extent of work that can be assigned to internal auditors providing direct assistance, we have considered: <ol style="list-style-type: none"> <li>a. The amount of judgement involved in: <ol style="list-style-type: none"> <li>(1) Planning and performing relevant audit procedures; and</li> <li>(2) Evaluating the audit evidenced gathered.</li> </ol> </li> <li>b. The assessed risk of material misstatement; and</li> <li>c. The existence and significance of threats to the internal auditors’ objectivity, the effectiveness of the safeguards applied to reduce or eliminate the threats, and level of competence of the internal auditors who provided direct assistance.</li> </ol> </li> <li>3. Our communication with those charged with governance of the planned scope and timing of the audit included how we plan to use internal auditors to provide direct assistance.</li> <li>4. We obtained a written acknowledgment from an authorized representative of the entity that internal auditors providing direct assistance will be allowed to</li> </ol> | Procedure steps | Y                     | SAS-128 AU-C 610   |                             |

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|--|--|-----------------|-----------------------|---------------------|-----------------------------|
|  | <p>follow our instructions, and that the entity will not intervene in the work of internal auditors in the performance of procedures on the engagement.</p> <p>5. We obtained written acknowledgment from the internal auditors that they will keep confidential specific matters as instructed by us and inform us of any threat to their objectivity.</p>  |                 |                       |                     |                             |
| Modify   | 7. We determined that using internal auditors to provide direct assistance did not preclude us from being sufficiently involved in the audit to fulfill our responsibility for the audit opinion expressed.  | Procedure steps | Y                     | SAS-128<br>AU-C 610 |                             |
| Modify   | <p>10. We documented:</p> <ul style="list-style-type: none"> <li>a. Our evaluation of the existence and significance of threats to the objectivity of the internal auditors, any safeguards applied to reduce or eliminate the threats, and the level of competence of the internal auditors used to provide direct assistance on the engagement;</li> <li>b. The basis for the decision regarding the nature and extent of the work performed by the internal auditors;</li> <li>c. The nature and extent of our review of the internal auditors' work, including the testing of some of the work performed by the internal auditors;</li> <li>d. The written acknowledgments above obtained from an authorized representative of the entity and the internal auditors; and</li> <li>e. The working papers prepared by the internal auditors who provided direct assistance.</li> </ul> | Procedure steps | Y                     | SAS-128<br>AU-C 610 |                             |
| <b>AUD-602 Audit Program: Involvement of a Component Auditor</b> |  |                 |                       |                     |                             |
| Modify   | <p>Added new steps and Practice Point:</p> <p>8. When determining whether to use the work of a component auditor and whether to make reference to the component auditor, we evaluated the following:</p> <ul style="list-style-type: none"> <li>-Whether there are differences in the financial reporting framework applied in preparing the component and group financial statements.</li> </ul>  | Procedure steps | N                     | N/A                 |                             |

| Type of Change  | Description of Change   | Location        | Based on Standard Y/N | Standard Reference | Roll Forward Considerations |
|---|---|-----------------|-----------------------|--------------------|-----------------------------|
|   | <p>-Whether the audit of the component financial statements will be completed in time to meet the group reporting schedule.</p> <p>-Whether there are differences in the auditing and other standards applied by the component auditor and those applied in the audit of group financial statements.</p> <p><b>Practice Point:</b> Reference to the audit of a component auditor in the auditor's report on the group financial statements should not be made unless:</p> <ol style="list-style-type: none"> <li>The component's financial statements are prepared using the same financial reporting framework as the group financial statements;</li> <li>The component auditor has performed an audit on the financial statements of the component in accordance with U.S. GAAS or, when required by law or regulation, with auditing standards promulgated by U.S. Governmental Accountability Office (GAO) in accordance with Generally Accepted Governmental Auditing Standards (GAGAS); and</li> <li>The component auditor has issued an auditor's report that is not restricted as to use.</li> </ol> |                 |                       |                    |                             |
| Modify  | Added language about subsequent events to step 9:<br>We have inquired about subsequent events, or performed subsequent procedures on the components and documented them in <b>AUD-901</b>   | Procedure steps | N                     | N/A                |                             |
| New   | Added new practice point to step 15:<br><b>Practice Point:</b> The decision to make reference to the audit of a component auditor is made individually for each component auditor. The auditor of the group financial statements may make reference to any, all, or none of the component auditors.   | Procedure steps | N                     | N/A                |                             |
| <b>AUD-802 Audit Program: Investments and Investment-Related Activities</b> |   |                 |                       |                    |                             |
| New   | <b>Practice Point:</b> Many <i>general purpose governments</i> (e.g., cities, counties, states) may be subject to laws that constrict what investments can be purchased, held, or sold. Many <i>special purpose governments</i> (those that do not rely on taxation) do not have such constraints. Care must be taken that tests are performed for compliance with applicable laws and regulations where necessary. See "General Audit Procedures" herein.  | Purpose         | N                     | N/A                |                             |
| Modify  | 12. In the case of each nonresponse to confirmations sent, we performed alternative procedures, such as:  | Procedure steps | N                     | N/A                |                             |

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|----------------|--|-----------------|-----------------------|--------------------|-----------------------------|
|                | <ul style="list-style-type: none"> <li>Examining source documents, such as invoices or broker's statements.</li> <li>Inspecting executed agreements.</li> <li>Examining cash receipts, disbursements, and trade confirmations subsequent to year-end.</li> </ul>   |                 |                       |                    |                             |
| Modify         | <p>13. If a service organization provided services that are part of a client's information system, we:</p> <ul style="list-style-type: none"> <li>Determined whether it was necessary to inspect supporting documentation, such as securities purchases and sales advices, located at the service organization's facilities.</li> <li>Evaluated whether the Type 1 report is as of a date or, in the case of a Type 2 report, is for a period that is appropriate for our purposes.</li> <li>Evaluated the sufficiency and appropriateness of the evidence provided by the report for the understanding of the user entity's internal control relevant to the audit.</li> <li>Determined whether complementary user entity controls identified by the service organization are relevant in addressing the risks of material misstatement relating to the relevant assertions in the user entity's financial statements and, if so, obtained an understanding of whether the user entity has designed and implemented such controls.</li> </ul> | Procedure steps | N                     | N/A                |                             |
| New            | <p>Step added to tests of valuation procedures:</p> <p>43. We evaluated management's valuation policies and valuation models, including the assumptions used, consideration of estimation uncertainty, and frequency of recalibration.</p>   | Procedure steps | N                     | N/A                |                             |
| New            | <p>Added step and substeps to tests of valuation procedures:</p> <p>45. For values of asset-backed securities, we performed the following procedures:</p> <p>a. We examined contractual documentation to understand the terms of the security, the underlying collateral, and the</p>  | Procedure steps | N                     | N/A                |                             |

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|  | <p>rights of each class of security holder.</p> <p>b. We inquired about management's process of estimating cash flows.</p> <p>c. We evaluated the reasonableness of assumptions used, including prepayment rates, default rates, and loss reserves.</p> <p>d. We obtained an understanding of the method used to determine the cash flow "waterfall."</p> <p>e. We compared the results of the fair value measurement with the valuations of other financial instruments with similar underlying collateral and terms.</p>  |                                    |                       |                    |                             |
| <b>AUD-803 Audit Program: Exchange Revenues and Receivables</b>    |   |                                    |                       |                    |                             |
| New  | <p>Added substeps:</p> <p>14.c. (3). 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.</p> <p>14.d.(3) 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</p> | Procedure steps                    | N                     | N/A                |                             |
| <b>AUD-804 Audit Program: Nonexchange Revenues and Receivables</b> |   |                                    |                       |                    |                             |
| New  | <p>Added Practice Alert:</p> <p><b>Practice Alert:</b> Classification of receivables with regard to nonexchange transactions becomes very important once GASB Statement No. 65 (<i>Items Previously Reported as Assets and Liabilities</i>) is implemented. 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</p>   | Table, other than procedures steps | Y                     | GASB-65            |                             |

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|--|--|----------|-----------------------|--------------------|-----------------------------|
|  | <p>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 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.</p> |          |                       |                    |                             |
| <b>AUD-806 Audit Program: Prepaid Expenses, Deferred Charges, and Other Assets or Deferred Outflows of Resources</b> |  |          |                       |                    |                             |
| Modify   | <p>Changed title of audit program to:</p> <p>Audit Program: Prepaid Expenses and Other Assets or Deferred Outflows of Resources</p>  | Title    | Y                     | GASB-65            |                             |
| New  | <p>Added new Practice Alert in the Purpose section:</p> <p><b>Practice Alert:</b> In accordance with the provisions of primarily GASB Statement No. 65, <i>(Items Previously Reported as Assets and Liabilities)</i> deferred outflows of resources could occur in the following transactions:</p> <ul style="list-style-type: none"> <li>Where an effective hedging derivative has a negative fair value in accordance with the provisions of GASB</li> </ul>   | Purpose  | Y                     | GASB-65            |                             |

| Type of Change | Description of Change   | Location | Based on Standard Y/N | Standard Reference | Roll Forward Considerations |
|----------------|---|----------|-----------------------|--------------------|-----------------------------|
|                | <p>Statement No. 53 (<i>Accounting and Financial Reporting for Derivative Instruments</i>).</p> <ul style="list-style-type: none"> <li>In accordance with GASB-65, with current refundings and advance refundings resulting in defeasance of debt reported by governmental activities, business-type activities, and proprietary funds, the difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow of resources or a deferred inflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.</li> <li>Similarly, prior to the expiration of the lease term, if a change in the provisions of a lease results from a refunding by the lessor of tax-exempt debt, including an advance refunding, in which (a) the perceived economic advantages of the refunding are passed through to the lessee and (b) the revised agreement is classified as a capital lease by the lessee, then the lessee should adjust the lease obligation to the present value of the future minimum lease payments under the revised lease. The adjustment of the lease obligation to present value should be made using the effective interest rate applicable to the revised agreement. The resulting difference should be reported as a deferred outflow of resources or a deferred inflow of resources. The deferred outflow of resources or the deferred inflow of resources should be recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the life of the new debt, whichever is shorter.</li> <li>In government-mandated nonexchange transactions and voluntary nonexchange transactions, 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.</li> <li>With regard to intra-entity transfers of future revenues, a transferee government should not report an asset and related revenue 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.</li> <li>The gain or loss on the sale of property that is</li> </ul> |          |                       |                    |                             |

| Type of Change | Description of Change   | Location | Based on Standard Y/N | Standard Reference | Roll Forward Considerations |
|----------------|---|----------|-----------------------|--------------------|-----------------------------|
|                | <p>accompanied by a leaseback of all or any part of the property for all or part of its remaining economic life should be recorded as a deferred inflow of resources or a deferred outflow of resources, respectively, and recognized in a systematic and rational manner over the lease term in proportion to the recognition of the leased asset, if a capital lease, or in proportion to the related gross rental charged to expense/expenditure over the lease term, if an operating lease, subject to certain exceptions.</p> <ul style="list-style-type: none"> <li>With regard to mortgages, if the loan is held for sale, origination fees, including any portion related to points, and direct loan origination costs should be recorded as a deferred inflow of resources and a deferred outflow of resources, respectively, until the related loan is sold. Once the related loan is sold, the amount reported as a deferred inflow of resources related to the loan origination fees, including any portion related to points, and the amount reported as a deferred outflow of resources related to the direct loan origination costs should be recognized as revenue and expense, respectively, in the period of sale. Fees paid to permanent investors to ensure the ultimate sale of the loans (residential or commercial loan commitment fees) should be recognized as an expense in the period when the loans are sold to permanent investors or when it becomes evident the commitment will not be used. Prior to the sale of the loans, the fees paid to permanent investors should be recorded as a deferred outflow of resources until the sale of the loan occurs.</li> <li>Once GASB Statement No. 68 is implemented (<i>Accounting and Financial Reporting for Pensions – an amendment of GASB-27</i>), the following are reported as deferred outflows of resources or deferred inflows of resources (depending upon the type of event): <ul style="list-style-type: none"> <li>Differences between expected and actual experience with regard to economic or demographic factors (differences between expected and actual experience) in the measurement of the total pension liability, as well as changes of assumptions about future economic or demographic factors or of other inputs (changes of assumptions or other inputs) that are attributable to current employees are reported as either deferred outflows of resources or deferred inflows of resources and amortized systematically and rationally over the remaining service lives of effected employees.</li> <li>Differences between projected and actual earnings on investments are also recognized</li> </ul> </li> </ul> |          |                       |                    |                             |



| Type of Change  | Description of Change   | Location                    | Based on Standard Y/N | Standard Reference | Roll Forward Considerations |
|---|---|-----------------------------|-----------------------|--------------------|-----------------------------|
|   | <p>as deferred outflows of resources or deferred inflows of resources and amortized over a closed five year period to pension expense.</p> <ul style="list-style-type: none"> <li>Contributions to the pension plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period should be reported as a deferred outflow of resources.</li> </ul> <p>Other forthcoming standards may have components or elements that are deferred outflows of resources. Only the GASB can name what is a deferred outflow of resources, not the entity.</p>  |                             |                       |                    |                             |
| Modify  | <p>Modified language in primary audit objectives from “other assets” to:</p> <p>other assets as well as deferred outflows of resources</p>  | Table other than procedures | Y                     | GASB-65            |                             |
| <b>AUD-809 Audit Program: Payroll, Other Liabilities, and Deferred Inflows of Resources</b> |   |                             |                       |                    |                             |
| New   | <p>Add new step under the heading <b>Deferred Inflows of Resources:</b></p> <p>22. We documented all information necessary to record deferred inflows of resources the fund statement information is available and agree with the presentation, classification and disclosure in accordance with provisions of GASB Statement Nos. 53, 60, 65, 69, and 70 (and 68 when implemented.)</p>  |                             |                       |                    |                             |
| <b>AUD-810 Audit Program: Long-Term Debt and Debt Service</b>                               |   |                             |                       |                    |                             |
| New   | <p>Added new procedure to confirm filings in accordance with continuing disclosure agreements. Also added for private placements. Also changed step on refundings for GASB-65 and added a step on arbitrage rebate.</p> <p>2.f. We tested the reasonableness of interest expenditures/expense, amortization of debt discount/premium, and related accrued interest. We also considered if inflows are present from derivative instruments. (The inflows should not net against interest expenditures /expense).</p> <p>2.1. We have obtained copies of all continuing disclosure agreements for all bond and note indentures and confirmed timely filing on all elements of those agreements.</p> | Procedure steps             | Y                     | GASB-65            |                             |

| Type of Change  | Description of Change  | Location        | Based on Standard Y/N | Standard Reference | Roll Forward Considerations |
|---|--|-----------------|-----------------------|--------------------|-----------------------------|
|   | <p>2.m. We have confirmed all debts that were funded privately (or through a single bank) and traced balances to the general ledger.</p> <p>11.c. For current and advance refundings resulting in long-term debt defeasance in proprietary funds and those reported in the government-wide statement of net position, the unamortized difference between the reacquisition price and the net carrying amount of the old debt is presented as a deferred inflow of resources or deferred outflow of resources and recognized as a component of interest expense in a systematic and rational manner over the remaining life of the old debt or the new debt, whichever is shorter.</p> <p>19.d. We have reviewed the calculation and disclosures required for arbitrage rebate in accordance that agrees to filings (IRS Form 8038-T) in accordance with Section 148 of the Internal Revenue Code. (Should be recognized in funds and the government-wide statement of net position when incurred and measurable and accrued to the point of payment to the federal government at each fifth anniversary of the bond transaction. Rebate expense usually is presented as a component of investment income or interest expense.)</p> |                 |                       |                    |                             |
| <b>AUD-811 Audit Program: Net Position and Fund Balance</b> |  |                 |                       |                    |                             |
| Modify  | <p>Text changes related to investment in capital assets.</p> <p>3.c. We recalculated the amounts reported for net position, net investment in capital assets, and ensured that the amounts reported agree to the difference between (1) capital assets, net of accumulated depreciation, and (2) liabilities attributable to the acquisition, construction, or improvement of those assets, and adjusted positively for any deferred outflows of resources related to capital assets and negatively for any deferred inflows of resources related to capital assets or debt related to capital assets (examples include hedging derivative positions and service concession arrangement up-front payments).</p> <p>3.e. We determined that fund balance commitments represent amounts approved by the government's highest level of decision - making and assignments represent future expenditure intentions in the general fund as evidenced</p>   | Procedure steps | N                     | N/A                |                             |

| Type of Change   | Description of Change   | Location         | Based on Standard Y/N | Standard Reference | Roll Forward Considerations                                  |
|--|---|------------------|-----------------------|--------------------|--|
|  | <p>long-term contracts or as residual amounts in non-general fund governmental funds.</p> <p>3.f. We determined that encumbrances and reserves are not presented on the face of any basic financial statement (as they are components of fund balance), but are presented in note disclosure, if important to management and material.</p>  |                  |                       |                    |  |
| <b>AUD-813 Audit Program: Journal Entries and Financial Statement Review</b> |   |                  |                       |                    |  |
| New  | <p>Added new steps and substeps:</p> <p>3.f. Whether items selected for testing should include journal entries made throughout the audit period.</p> <p>4. If accounting records or systems are maintained at more than one location, we considered the need to select journal entries from the various locations or components, based on the following factors:</p> <ol style="list-style-type: none"> <li>The amount and nature of assets and transactions executed at the individual location or component.</li> <li>The degree of centralization of records.</li> <li>If the operating effectiveness of controls was tested, the effectiveness of controls.</li> <li>The frequency, timing, and scope of management's monitoring activities.</li> <li>Judgments about materiality of the location or component.</li> </ol> <p>5. We ensured that items selected for testing included journal entries and other adjustments made in the course of preparing the financial statements and those made at the end of a reporting period</p> | Procedure steps  | N                     | N/A                |  |
| <b>AUD-814 Audit Program: Related-Party Transactions</b>                     |   |                  |                       |                    | Tailoring added and modified to reflect changes noted below. |
| Modify   | This audit program has been modified to only apply to Related-Party Transactions. The other sections were developed into their own audit programs for better usability and tailoring.   | Procedures Steps | N                     |                    |  |
| Modify   | <p>Split into four audit programs (as in CORE); modified substep:</p> <p>2.c. We obtained audit evidence that the transactions have been appropriately authorized and approved based on our</p>   | Procedure steps  | N                     | N/A                |  |

| Type of Change  | Description of Change  | Location        | Based on Standard Y/N | Standard Reference | Roll Forward Considerations  |
|---|--|-----------------|-----------------------|--------------------|--|
|   | understanding of the management's process and applicable laws and regulations.   |                 |                       |                    |  |
| <b>AUD-818 Audit Program: Derivative Instruments</b>        |  |                 |                       |                    |  |
| Modify  | Modified substep:<br>13.j. We gathered audit evidence to support the amount of unrealized appreciation or depreciation in the fair value of a derivative that is recognized in the statement of net position as a component of deferred inflows or outflows of resources or the statement of activities or a statement of revenues, expenses and changes in net position (for investment derivatives). | Procedure steps | N                     | N/A                |  |
| <b>AUD-819 Audit Program: Self-Insurance</b>                |  |                 |                       |                    |  |
| Modify  | Added new substeps:<br>13.d. We reviewed disclosure to determine that the term "unearned" is only used with regard to a premium deficiency calculation for a public entity risk pool. Any other deferred amounts are presented as deferred inflows of resources or deferred outflows of resources, as applicable.  | Procedure steps | N                     | N/A                |  |
| <b>AUD-821 Audit Program: Commitments and Contingencies</b> |  |                 |                       |                    | AUD-814 was broken apart into four separate areas. This is one of the new audit areas add to the tailoring questions in AUD-100. Review the questions in AUD-100.<br><br>New tailoring question related to these steps. All answers and customizations will retain per your roll forward selections. |
| New   | New audit program on Commitments and Contingencies.  |                 |                       |                    |  |
| <b>AUD-822 Audit Program: Accounting Estimates</b>          |  |                 |                       |                    | AUD-814 was broken apart into four separate areas. This is one of the new audit areas add to the tailoring questions in AUD-100. Review the questions in AUD-100.<br><br>New tailoring question related to these steps. All answers and customizations will retain per your roll forward selections. |
| New   | New audit program on Accounting Estimates.   |                 |                       |                    |  |
| <b>AUD-823 Audit Program: Concentrations</b>                |  |                 |                       |                    | AUD-814 was broken apart into four separate areas. This is one of the new audit areas add to the tailoring questions in AUD-100. Review the questions in AUD-100.  |

| Type of Change                              | Description of Change   | Location        | Based on Standard Y/N | Standard Reference | Roll Forward Considerations   |
|---|---|-----------------|-----------------------|--------------------|---|
|   |   |                 |                       |                    | New tailoring question related to these steps. All answers and customizations will retain per your roll forward selections. |
| New   | New audit program on Concentrations.  |                 |                       |                    |   |
| <b>AUD-902 Audit Program: Going Concern</b> |   |                 |                       |                    |   |
| Modify                                      | <p>New substeps under Section I; 1.a.:</p> <p>(1): Negative net position (before net pension liability reporting in accordance with GASB Statement No. 68 [<i>Accounting and Financial Reporting for Pensions—An amendment of GASB Statement No. 27</i>] or net current liability position (defined as where current liabilities exceed current assets).</p> <p>(11) Unusual, unscheduled withdrawals from debt service reserve accounts / funds without consent from counterparties or bondholders.</p> <p>(12) Concessions from debt holders.</p> <p>(13) Intercepts occurring of revenues of any type to pay bondholders, grantors, regulators, or similar.</p> <p>(16) Unforeseen debt ratings downgrades from nationally recognized statistical rating organizations.</p> <p>(17) Naming of a supervisor, receiver, trustee or oversight entity by a higher level of government to manage the day to day operations of a government.</p> <p>(18) Exercise of financial guarantees of the government's debts.</p> | Procedure steps | Y                     | GASB-68            |   |
| Modify                                      | <p>New steps &amp; substeps under Section II:</p> <p>1. We considered whether the results of procedures performed during the course of the audit identified conditions or events that, when considered in aggregate, indicated there could be substantial doubt about the entity's ability to continue as a going concern.</p> <p>2.a. We considered management's plans for future actions in relation to its going concern assessment, whether the outcome of these plans is likely to improve the situation for a reasonable period of time and whether management's</p>  | Procedure steps | Y                     | GASB-68            |   |

| Type of Change | Description of Change  | Location | Based on Standard Y/N | Standard Reference | Roll Forward Considerations |
|----------------|--|----------|-----------------------|--------------------|-----------------------------|
|                | <p>plans can be effectively implemented, including:</p> <p>10. If substantial doubt about the entity's ability to continue as a going concern for a reasonable period of time existed at the date of prior period financial statements that are presented on a comparative basis, and that doubt has been removed in the current period, we have removed the going-concern emphasis-of-matter paragraph included in the prior-period auditor's report.</p> <p>12. If we have been asked to reissue an auditor's report and eliminate a going-concern emphasis-of-matter paragraph contained therein and we determined it was appropriate to do so, we reassessed the going-concern status of the entity.</p> |          |                       |                    |                             |

### Auditor's Reports (RPTs)

- **RPT-909 Unmodified Opinion on Separately Issued Summary Financial Information** Rewritten in accordance with AICPA *State and Local Governments Audit Guide*, Chapter 14, Example A-17.
- **RPT-928 Agreed-Upon Procedures Report for Municipal Solid Waste Landfill** has been modified and updated to align with AICPA A-133 Guide, Chapter 13, Example 13-6
- **NEW RPT-929 Disclaimer of Opinion Due to the Auditor's Inability to Obtain Sufficient Appropriate Audit Evidence about Multiple Elements of the Financial Statements** has been added to provide a sample report presenting a disclaimer opinion due to the auditor's inability to obtain sufficient appropriate audit evidence about multiple elements of the financial statements.

### Correspondence Documents (CORs)

- **2014 Knowledge-Based Audits of Governmental Entities** illustrative example correspondence documents have been updated where applicable to include new practice points, practice alerts, and examples.
- **CORs 808, 809, and 813** have been deleted as they are not likely to be used for government audits.

### Practice Aids (AIDs)

- **2014 Knowledge-Based Audits of Governmental Entities** practice aids have been updated throughout to include new considerations and examples where applicable.
- All AIDs have been updated with formulas that perform automatic calculations, wherever applicable.
- **AID-601 Considering the Use of the Work of Internal Auditors** has been updated for the requirements of SAS-128, *Using the Work of Internal Auditors*.
- **NEW AID-602 Understanding and Preliminary Assessment of the Entity's Internal Audit Function** developed to help the auditor obtain an understanding of the entity's internal audit function; make a preliminary assessment of the internal audit function; and document the procedures for understanding the internal audit function's organizational status, determining the nature and extent of the work of the internal audit function that can be used, the technical competence of the internal auditors, and the systematic and disciplined approach used by the internal audit function.

- **NEW AID-603 Group Engagement Documentation** developed to help the auditor document the group and its components; communications to component auditors; and decisions made.
- **NEW AID-903 Audit Report Preparation Checklist** developed to help determine whether the auditor's report contains the elements required by professional standards when the auditor is not using the provided illustrative report examples.

## Resource Documents (RESs)

- **RES-001 Knowledge-Based Audit Methodology Overview** has been updated to reflect the updated workpapers and related requirements.
- **RES-002 Index of Audit Programs, Forms, and Other Practice Aids** has been modified as appropriate to incorporate new workpapers.
- **NEW RES-018 Examples of Conditions or Events That May Be Indicative of Risks of Material Misstatement of the Group Financial Statements** New resource document providing examples of conditions and events that may be indicative of risk of material misstatements of the group financial statements.
- **NEW RES-019 Factors to Be Considered When Documenting Client/Engagement Acceptance and Continuance** New resource document providing examples of factors to be considered when documenting client/engagement acceptance and continuance.
- **RES-QCA Meeting Quality Control Standards Using KBA Audit Tools** Updated for requirements of Generally Accepted Government Auditing Standards, December 2011 revision.
- **KCO-001 2014 Governmental Entities Title Overview for Knowledge Coach Users** formally **RES-KCO** has been added as a reference document for the workpaper update information, along with list of related workpapers for the title.

**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:

Statements on Auditing Standards (SASs):

*SAS-128, Using the Work of Internal Auditors*

AICPA Audit and Accounting Guides:

*State and Local Governments, with conforming changes as of March 1, 2013, and Illustrative Auditor's Reports updated for Clarity*

*Government Auditing Standards and Circular A-133 Audits, with conforming changes as of February 1, 2013 and Illustrative Auditor's Reports updated for Clarity Audit Sampling—2012 Edition*

AICPA Audit Risk Alerts:

*State and Local Governmental Developments—2013*

*Government Auditing Standards and Circular A-133 Developments—2013*

AICPA Statement on Quality Control Standards No. 8, *A Firm's System of Quality Control (Redrafted)*

Governmental Accounting Standards Board Statements (GASBs):

*GASB-65 Items Previously Reported as Assets and Liabilities*

*GASB-66 Technical Corrections 2012—An Amendment of GASB Statements No. 10 and No. 62*

*GASB-67 Financial Reporting for Pension Plans—An Amendment of GASB Statement No. 25*

*GASB-68 Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27*

*GASB-69 Government Combinations and Disposals of Government Operations*

*GASB-70 Accounting and Financial Reporting for Nonexchange Financial Guarantees*

*GASB-71 Pension Transition for Contributions Made Subsequent to the Measurement Date—An amendment of GASB Statement No. 68*

Government Accountability Office:  
*Government Auditing Standards—December 2011 Revision*

Also incorporated are changes made to OMB Circular A-133 through August 1, 2013.



## 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> |
|-----------------|---|-----------------------------|------------------------------|
| <b>KBA</b> s    | <b>KNOWLEDGE-BASED AUDIT DOCUMENTS</b>  |                             |                              |
| 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<br/>Workpaper</i> | <i>Association<br/>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<br/>Workpaper</i> | <i>Association<br/>Workpaper</i> |
|-----------------|---|---------------------------------|----------------------------------|
| KBA-903         | Audit Documentation Checklist   |                                 |                                  |
| <b>AUDs</b>     | <b>AUDIT PROGRAMS</b>   |                                 |                                  |
| 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<br/>Workpaper</i> | <i>Association<br/>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<br/>Workpaper</i> | <i>Association<br/>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 |                                 |                                  |
| <b>AIDs</b>     | <b>PRACTICE AIDS</b>   |                                 |                                  |
| 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  |                                 |                                  |

### 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? 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 | Do we intend 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 we will rely on in our engagement.  | Audit Firm Name                 |
| AUD-603 Audit Program: Auditor's Specialist (Custom)          | AUD-100 Tailoring Question Workpaper | Do we expect 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 | Do we expect 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               |