

# 2014 HEALTH CARE 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 *Knowledge-Based Audits of Health Care Entities*** has been updated to help auditors conduct efficient and effective audit engagements in accordance with U.S. GAAS and is current through the most recent auditing standard, SAS 128, *Using the Work of Internal Auditors*. Our authors are always looking to improve the flow of the audit engagement through the addition of new tailoring questions, new tips, and new examples. Additionally, the 2014 edition of *Knowledge-Based Audits of Health Care Entities* has been updated to incorporate the 2013 *Internal Control-Integrated Framework* (Framework) established by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”). The 2014 tools include links to specific guidance that provides instant access to detailed analysis related to the steps and processes discussed in the workpapers. Also included is a revised financial statement disclosures checklist that provides a centralized resource of the current required and recommended U.S. GAAP disclosures and key presentation items, using the style referencing under the FASB Accounting Standards Codification™.

The 2014 edition of *Knowledge-Based Audits of Health Care Entities* 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
<b>KBA-101 Overall Audit Strategy</b>					
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
Enhancement	Enhanced the flow of content from KBA-200 to KBA-101 to eliminate duplication of work in Section I, Reporting Requirements.	Table other than procedures	N		
<b>KBA-103 Evaluating and Communicating Internal Control Deficiencies</b>					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	Y	AU-C 265	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
New	Added a new column for Description of Potential Effect.	Table other than procedures	Y	AU-C 265	
Modify	Content update for 2013 Framework.	Instructions Table other than procedures	Y	COSO	
<b>KBA-105 Review of Significant Accounting Estimates</b>					
Modify	Updated common significant estimates that affect health care entities	Instructions	N		
<b>KBA-200 Entity Information and Background</b>					
New	Added a new factor to the entity information table regarding users of the financial statements.	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>					
Deleted	Part 1, Section I, Background and Basic Information – this information is now captured in KBA-200.	Table other than procedures	N		Data previously entered in this workpaper will be captured and retained on rollforward in KBA-200
<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>					
Modify	Added Practice Point 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. See note above.	Component Materiality Worksheet	N		
New	This workpaper has been moved to a word document to better facilitate flow and rollforward retention in	Table - other than	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Knowledge Coach.	procedures			
<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.
New	Enhanced the flow from KBA-200 to incorporate users of the financial statements into Section I: Entity Information.	Table other than procedures	N		Data flows in from KBA-200
New	Added Factors to be Considered when performing group audit engagements (New Section IV).	Table other than procedures	Y	AU-C 600 Appendix B	
New	Added a new Factor to Consider to Section I, regarding users of the financial statements	Table other than procedures	N		Data flows in from KBA-200
New	Section II, Industry Regulatory and Other External Factors – Added examples of unique industry, regulatory and other external characteristics of health care entities.	Table other than procedures	N		
Modify	Section II, Industry Regulatory and Other External Factors; 1. Industry Conditions – Updated practice point on payments to health care entities from government programs	Practice Point	N		
Modify	Section II, Industry Regulatory and Other External Factors; 2. Regulatory Environment – Updated practice point on impact ACA and rollout of ACO's.	Practice Point	N		
New	Section II, Industry Regulatory and Other External Factors; 2. Regulatory Environment – Added potential risk associated with RAC audits.	Practice Point	N		
Modify	Section III, Nature of Entity – Modified factors	Table other than procedures	N		
Delete	Section III, Nature of Entity – Item 7, deleted outdated practice point.	Practice Point	N		
Delete	Section IV, Subsection 3, deleted factor on sales	Table other	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	commission.	than procedures			
New	Enhanced the flow from KBA-200 to incorporate users of the financial statements into Section I: Entity Information.	Table other than procedures	N		
New	Added Factors to be Considered when performing group audit engagements (New Section IV).	Table other than procedures	Y	AU-C 600 Appendix B	
<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.
Delete	Instructions – Deleted practice point on reporting on financial statements prepared in accordance with a financial reporting framework generally accepted in another country.	Practice Point	N		
New	Added a new Factor to Consider to Section I, regarding users of the financial statements	Table other than procedures	N		Data flows in from KBA-200
New	Section II, Industry Regulatory and Other External Factors – Added examples of unique industry, regulatory and other external characteristics of health care entities.	Table other than procedures	N		
New	Section II, Industry Regulatory and Other External Factors – Added examples of industry specific risks.	Table other than procedures			
New	Enhanced the flow from KBA-200 to incorporate users of the financial statements into Section I: Entity Information.	Table other than procedures	N		
<b>KBA-303 Inquiries of Management and Others within the Entity about the Risks of Fraud</b>					
Modify	Modified instructions to emphasize that this document is a 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.	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Modified section on Inquiries of Internal Audit Function with a new Practice Point	Practice Point	Y	AU-C 610	
<b>KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures</b>					
Modify	Content update for 2013 Framework.	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.
Modify	Modified the instruction section to correspond to edits for 2013 <i>COSO Internal Control – Integrated Framework</i> .	Instructions	Y	COSO	
New	Added new comments section for each audit area.	Table other than procedures	N		
<b>KBA-401 Understanding Entity-Level Controls: Complex Entities</b>					
Modify	Content update for 2013 Framework, to include 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 prior to roll forward to ensure you maintain your data.
New	New conclusion table added.	Table other than procedures	Y	COSO	
<b>KBA-401N Understanding Entity-Level Controls: Noncomplex Entities</b>					
Modify	Content update for 2013 Framework, to include 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-401N prior to rollforward to ensure you maintain your data.
New	New conclusion table added.	Table other than procedures	Y	COSO	
<b>KBA-402 Understanding General Controls for Information Technology</b>					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Content updated to maintain consistency in functionality for the 400 series of workpapers, to include new columns for “Are Controls Present?” and “Are Controls Functioning?”	Instructions Table other than procedures	N		There is new functionality in this workpaper to include changes in the way data flows, default answers, and dynamic diagnostics.
<b>KBA-403 Understanding Activity-Level Controls: Revenue, Accounts Receivable, and Cash Receipts through KBA-411 Understanding Activity-Level Controls: Financial Reporting and Closing Process</b>					
Modify	Content update for 2013 Framework, to include 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.
<b>KBA-403 Understanding Activity-Level Controls: Patient Service Revenue, Patient Accounts Receivable, and Cash Receipts through KBA-411 Understanding Activity-Level Controls: Financial Reporting and Closing Process</b>					
Modify	Steps 4, 5, and 6: Determine What Can Go Wrong, and Identify and Evaluate Controls That Address What Can Go Wrong: Modified subprocesses and related activity-level control objectives.	Table other than procedures	N		
New	Steps 4, 5, and 6: Determine What Can Go Wrong, and Identify and Evaluate Controls That Address What Can Go Wrong: Added practice point on auditors’ requirements for auditing accounting estimates requiring substantial judgments pursuant to. AU-C Section 540, <i>Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures</i> .	Table other than procedures	Y	AU-C Section 540.	
New	Steps 4, 5, and 6: Determine What Can Go Wrong, and Identify and Evaluate Controls That Address What Can Go Wrong, Added practice point on FASB ASC 954-605-45-4, when a health care entity that recognizes significant amounts of patient service revenue at the time the services are rendered even though it does not assess the patient’s ability to pay should present the provision for bad debts as a separate line item on the face of the statement of operations (activities).	Practice point included in Table other than procedures	Y	FASB ASC 954-605-45-4	
<b>KBA-404 Understanding Activity-Level Controls: Supplies Inventory, Purchases, and Supplies Expense</b>					
Modify	Updated title, subprocesses, and control activities to be HCI specific.	Instructions Table other	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
		than procedures			
<b>KBA-405 Understanding Activity-Level Controls: Property and Equipment</b>					
Modify	Removed reference to “plant” throughout.	Instructions Table other than procedures	N		
New	Added control objective for capital lease obligations	Instructions Table other than procedures	N		
<b>KBA-411 Understanding Activity-Level Controls: Financial Reporting and Closing Process</b>					
New	Steps 4, 5, 6 - added health care specific informational practice point.	Practice Point	N		
<b>KBA-412 Understanding Controls Maintained by a Service Organization</b>					
New	Added Step: We evaluated the Type 1 report to determine that it was as of a date that is appropriate for our purposes.	Table other than procedures	N		
<b>KBA-501 Team Discussion of the Risks of Material Misstatement</b>					
New	Updated unique characteristics of health care entities; Added a table of fraud schemes common to the health care industry.	Instructions Table other than procedures	N		
<b>KBA-502 Summary of Risk Assessments</b>					
New/Del eted	Risk/Area sections modified to correspond to the Audit Programs.	Table other than procedures	N		
<b>KBA-904 Audit Documentation Checklist</b>					
New	New steps added for Internal Audit Function requirements.	Procedures	Y	AU-C 610	

## Audit Programs (AUDs)

- Audit program steps, as applicable, have been enhanced to emphasize that the auditor evaluates or obtains information from management.
- New tailoring questions have been added to the audit programs to further enable user customization for the specific needs of each engagement.
- Updated program step assertions as needed.
- Audit programs have been reorganized and reordered for better workflow. Additionally, duplicative steps have been removed throughout the audit program series.

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 824-826) when applicable.
<b>AUD-101 Overall Audit Program</b>					Tailoring questions have been added to help facilitate a more efficient workflow.
New	Additional links to workpapers have been added to enhance the usability of the checklist.	Procedures Steps	N		
Deleted	Steps on “Differences of Professional Opinion” and “Review Audit Work” have been combined with “Complete the Audit by:” to reduce duplication.	Procedure Steps	N		
New	Post-Issuance Procedures: Added Practice Point related to auditor awareness of any circumstances in which the assembly and retention of the final audit file is less than 60 days. <b>Practice Point:</b> Statutes, regulations, or the audit firm’s quality control policies may specify a period of time shorter than 60 days following the report release date in which this assembly process is to be completed. The auditor should be aware of any circumstances in which the assembly and retention of the final audit file is less than 60 days.	Practice Point	N		
<b>AUD-201 Audit Program: Opening Balances and Additional Audit Procedures for an Initial Audit Engagement</b>					
Modify	Modified instruction to incorporate reference to auditing standards	Instructions	Y	AU-C 300 AU-C 510	
<b>AUD-601 Audit Program: Testing and Evaluating Internal Auditors’ Work</b>					
Modify	Modified instruction to incorporate reference to auditing standards	Instructions	Y	AU-C 610	
Added	Added the following steps to Section I: <ul style="list-style-type: none"> <li>• We discussed the planned use of the work of the</li> </ul>	Procedure Steps	Y	SAS-128 – AU-C	



Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>internal audit function with the internal auditors as a basis for coordinating respective duties.</p> <ul style="list-style-type: none"> <li>• 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.</li> <li>• 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.</li> <li>• 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.</li> <li>• We determined that using 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.</li> <li>• 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.</li> </ul>			610	
Added	<p>Added the following substeps to Section I: We evaluated the internal audit function, including the following:</p> <ul style="list-style-type: none"> <li>• 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>• The level of competence of the internal audit function.</li> <li>• Whether the internal audit function applies a</li> </ul>	Procedure Steps	Y	SAS-128 – AU-C 610	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>systematic and disciplined approach, including quality control.</p> <ul style="list-style-type: none"> <li>• Whether the nature, timing, and extent of the internal audit functions' work was appropriate to meet our objectives and relevant to the overall audit strategy and audit plan.</li> <li>• Whether workpapers adequately documented the work performed, including evidence of supervision and review.</li> <li>• Whether any exceptions or unusual matters were properly resolved.</li> </ul>				
Added	<p>Added or modified the following substeps to Section I:</p> <p>We tested some of the work performed by internal auditors by:</p> <ul style="list-style-type: none"> <li>• Examining some of the controls, transactions, or balances that the internal auditors examined, and reperforming some of the work;</li> </ul> <p>We evaluated whether:</p> <ul style="list-style-type: none"> <li>• The work of the internal audit function had been properly planned, performed, supervised, reviewed, and documented;</li> <li>• Audit programs used were adequate and the evidence obtained by the internal audit function was sufficient and appropriate to draw reasonable conclusions;</li> <li>• 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</li> <li>• 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.</li> </ul>	Procedure Steps	Y	SAS-128 – AU-C 610	
Added	Added the following steps to Section II:	Procedure Steps	Y	SAS-128 – AU-C	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<ul style="list-style-type: none"> <li>• 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>• In determining the nature and extent of work that can be assigned to internal auditors providing direct assistance, we have considered: <ul style="list-style-type: none"> <li>▪ The amount of judgement involved in: <ul style="list-style-type: none"> <li>• Planning and performing relevant audit procedures; and</li> <li>• Evaluating the audit evidenced gathered.</li> </ul> </li> <li>▪ The assessed risk of material misstatement; and</li> <li>▪ The existence and significance of threats to the objectivity and level of competence of 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> </ul> </li> <li>• 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>• We obtained a written acknowledgment from an authorized representative of the entity that internal auditors providing direct assistance will be allowed to follow our instructions, and that the entity will not intervene in the work of internal auditors in the performance of procedures on the engagement.</li> <li>• We obtained written acknowledgement from the internal auditors that they will keep confidential specific matters as instructed by us and inform us of any threat to their objectivity.</li> </ul>			610	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<ul style="list-style-type: none"> <li>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.</li> <li>We documented: <ul style="list-style-type: none"> <li>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>The basis for the decision regarding the nature and extent of the work performed by the internal auditors;</li> <li>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>The written acknowledgments above obtained from an authorized representative of the entity and the internal auditors; and</li> <li>The working papers prepared by the internal auditors who provided direct assistance.</li> </ul> </li> </ul>				
<b>AUD-701 Audit Program: Designing Tests of Controls</b>					
Modify	Modified instructions to incorporate reference to a new AID-848 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	
<b>AUD-800's Audit Programs</b>					
New	Materiality Summary Tables have been added to all workpapers. Data flows from KBA-301.				
New	Tailoring has been added for the Operating Effectiveness Testing. This tailoring is on a per audit area basis.				Be sure to answer all tailoring questions in AUD-100 before starting the rest of your engagement.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
<b>AUD-807 Audit Program: Intangible Assets</b>					Tailoring added and modified to reflect changes noted below.
New	Added new steps regarding the entity's election to amortize goodwill.	Procedures Steps	Y	ASU 2014-02 and FRF for SMEs	
<b>AUD-812 Audit Program: Contributions Receivable, Related Support, Contribution Revenue, and Split Interest Agreements</b>					
New	<p>Instructions – Section IV - added guidance (new Practice Point) for independent auditors that are engaged to audit the financial statements and compliance of a health care entity that expends federal awards from a governmental agency in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133. Provided references to KBA NFP and Single audit guide and tools.</p> <p><b>Practice Point:</b> Independent auditors are sometimes engaged to audit the financial statements and compliance of a health care entity that expends federal awards from a governmental agency in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133. Federal awards may take the form of grants, contracts, loans, loan guarantees, property, cooperative agreements, interest subsidies, and insurance or direct appropriations.</p> <p>When an independent auditor is engaged to perform an audit in accordance with OMB Circular A-133, both the financial statement audit and the compliance audit are performed in accordance with GAS issued by the U.S. Government Accountability Office. GAS incorporates by reference the AICPA standards and contains certain standards and requirements that are supplementary to those in U.S. GAAS, as well as guidance on how to apply those standards and requirements.</p> <p>The Audit Guide <i>Government Auditing Standards and Circular A-133 Audits</i> provides guidance on the auditor's responsibilities when conducting and audit of financial statements in accordance with GAS and a single audit or program-specific audit in accordance with the Single Audit Act Amendments of 1996 and OMB Circular A-133. It discusses the auditor's responsibility for considering internal control and performing tests of compliance with applicable laws, regulations, and program compliance requirements. Further, it provides reporting guidance, including examples of the reports required by GAS and OMB Circular A-133. The auditor may also wish to consider the guidance in CCH's <i>Knowledge-Based Guide and Related Tools for Audits of Not-for-Profit Organizations with Single Audits</i> when engaged to audit health care entities that expend federal awards from a governmental agency in accordance with the Single Audit Act</p>	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	Amendments of 1996 and OMB Circular A-133.				
<b>AUD-820 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. New separate audit programs were created for commitments and contingencies, accounting estimates, and concentrations.	Procedures Steps	N		
<b>AUD-822 Audit Program: Variable Interest Entities</b>					
New	Added new substep to obtain a list of: Any identified variable interests in common control leasing arrangements that the entity is electing not to consolidate under the Private Company Council (PCC) VIE accounting alternative.	Procedures Steps	Y	ASU 2014-07	
Modify	Modified step to exclude VIE's that the entity is electing not to consolidate using the PPC VIE accounting alternative: For VIEs for which the entity is the primary beneficiary and for which the entity is not electing the PCC VIE accounting alternative, we performed the following procedures to determine whether the entity has properly accounted in its consolidated financial statements for a VIE:	Procedures Steps	Y	ASU 2014-07	
New	Added new steps for VIEs for which the entity is electing the PCC VIE accounting alternative: 15. For VIEs for which the entity is electing the PCC VIE accounting alternative, we evaluated whether the VIE meets the following criteria for election: a. The entity has a lease arrangement with the lessor entity. b. The entity and the lessor entity are under common control. c. Substantially all activities between the entity and the lessor entity are related to the leasing activity (which includes supporting leasing activities) between the two entities. d If the entity explicitly guarantees or provides collateral for any obligation of the lessor entity related to the leased asset, the principal amount of the obligation at inception of	Procedures Steps	Y	ASU 2014-07	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	the guarantee or collateral arrangement is not more than the value of the leased asset. 16. If the entity has elected the PCC VIE accounting alternative, we evaluated whether the entity: has properly applied it to all leasing arrangements meeting the above criteria.				
Modify	Modified step 19 as follows: 19. When assessing whether additional audit evidence is needed for VIEs for which the entity is not electing the PCC VIE accounting alternative, we considered the following:	Procedures Steps	N		
<b>AUD-824 Audit Program: Commitments and Contingencies</b>					
New	New audit program for Commitments and Contingencies.	Procedures Steps	N		AUD-820 was broken apart into four separate areas. This is one of the new audit areas added to the tailoring questions in AUD-100. Review the questions in AUD-100.  New tailoring questions related to these steps. All answers and customizations will retain per your roll forward selections.
New	Added the following steps: <ul style="list-style-type: none"> <li>We obtained an understanding of how the entity is complying with the legal and regulatory framework applicable to the entity and its industry or sector.</li> <li>We obtained sufficient appropriate audit evidence regarding material amounts and disclosures in the financial statements that are determined by the provisions of laws and regulations generally recognized to have a direct effect on the financial statements.</li> </ul>	Procedures Steps	N		
<b>AUD-825 Audit Program: Accounting Estimates</b>					
New	New audit program for Accounting Estimates.	Procedures Steps	N		AUD-820 was broken apart into four separate areas. This is one of the new audit areas added to the tailoring questions in AUD-100. Review the questions in AUD-100.  New tailoring questions related to these steps. All answers and customizations will retain per your roll forward selections.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
<b>AUD-826 Audit Program: Concentrations</b>					
New	New audit program for Concentrations.	Procedures Steps	N		AUD-820 was broken apart into four separate areas. This is one of the new audit areas added to the tailoring questions in AUD-100. Review the questions in AUD-100.  New tailoring questions related to these steps. All answers and customizations will retain per your roll forward selections.
<b>AUD-903 Audit Program: Consideration of Fraud</b>					Tailoring questions have been added to help facilitate a more efficient workflow.
New	Updated and added practice points (1) related to fraud schemes common to the health care industry and (2) risks related to meaningful use incentive payments and documentation to support payments received.	Practice Points	N		
<b>AUD-904 Audit Program: Compliance with Laws and Regulations</b>					Tailoring questions have been added to help facilitate a more efficient workflow.
New	Updated procedure 1.a.(3) to consider the Final Rule released by HHS that is designed to enhance the privacy and security of protected health information (PHI) protected under the Health Insurance Portability and Accountability Act (HIPAA). The new rule requires compliance starting on September 21, 2013.	Procedures Steps	N		
<b>AUD-905 Audit Program: Evaluating Subsequently Discovered Facts Existing at the Date of the Auditor's Report</b>					Tailoring questions have been added to help facilitate a more efficient workflow.
<b>AUD-908 Interim Review Program: Management Inquiries</b>					
New	New review program for inquiries of management performed during a review of interim financial information.	Procedures Steps	Y	AU-C 930	
New	Modified to be health care specific throughout the procedure steps.	Procedures Steps	N		

### Auditor's Reports (RPTs)

- **NEW RPT-902** Unmodified Opinion: Comparative Financial Statements sample illustrative report provided for reporting on comparative financial statements.
- **RPT-903-957** renumbered accordingly.



- **NEW RPT-984 Qualified Opinion: Departure from U.S. GAAP-Unconsolidated Variable Interest Entity (VIE)** sample illustrative report provided for providing a qualified opinion for an unconsolidated VIE.
- **RPT-1019 Disclaimer of Opinion: Due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence about Multiple Elements of the Financial Statements** deleted, content incorporated into **RPT-1015 Disclaimer of Opinion: Due to the Auditor’s Inability to Obtain Sufficient Appropriate Audit Evidence**.

### Correspondence Documents (CORs)

- **COR-907** *Pre-Approval of Nonaudit Services* has been renumbered to COR-220.
- **COR-823** *Confirmation of Sales Terms* has been added to the toolset.

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
COR-201	New	Additional guidance added regarding supplementary information.	Additional Guidance and Practice Points	Y	AU-C 725
COR-202	New	Additional guidance added regarding supplementary information.	Additional Guidance and Practice Points	Y	AU-C 725
COR-808	New	Added “description of the condition of the inventory”.	Confirm Text	N	
COR-811	New	Added: List the claims submitted that remain unpaid and the date of your response. Added: Describe the nature of the claims paid and the date of your response,	Confirm Text	N	
COR-813	New	Added section to confirm variable rate debt terms.	Confirm Text	N	
COR-815	New	Added: The financial institution may withdraw the line of credit under the following conditions [ <i>describe the conditions as understood by the entity</i> ].	Confirm Text	N	
COR-820	Modify	Updated first paragraph, adding: ...for the period ending [ <i>insert year-end</i> ], including the required disclosures pursuant to the provisions of Financial Accounting Standards Board Accounting Standard Codification (ASC) 715, <i>Compensation—Retirement Benefits</i> (ASC 715-20-50).	Confirm Text	Y	ASC 715
COR-901	New	Added illustrative representation regarding environmental remediation liabilities; long-lived assets; and inventory.	Additional Guidance and Practice Points		
COR-907	Delete	Number no longer in use. (See bullet above)			

## Practice Aids (AIDs)

- **AID-601 Considering the Use of the Work of Internal Auditors** modified to be compliant with SAS-128, *Using the Work of Internal Auditors*.
- **AID-602 Understanding and Preliminary Assessment of the Entity's Internal Audit Function** designed to aid the auditor in obtaining an understanding and making a preliminary assessment of the entity's internal audit function; documenting the auditor's 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; evaluating the technical competence of the internal auditors; and evaluating whether a systematic and disciplined approach is used by the internal audit function.
- **AID-603 Component Identification and Analysis** designed to aid the auditor in identifying and analyzing significant component entities.
- **AID-847 Board Minute Review Checklist** designed to aid the auditor in documenting his or her review of the entity's committee meeting minutes.
- **AID-848 Dual-Purpose Test Worksheet** designed to enable the auditor to document the sample items and test results when performing tests of internal controls attributes and substantive test criteria at the same time.
- **AID-901 Differences of Professional Opinion** added a signoff for the Engagement Quality Control Reviewer.

## Resource Documents (RESs)

- **RES-002 Index of Audit Program, Forms, and Other Practice Aids** modified as appropriate to incorporate new workpapers and realignment of workpaper numbering schemes.
- **RES-008 Entity-Level Controls: Examples of Control Activities for Each Internal Control Component and Related Relevant Principles and Points of Focus** updated for COSO's 2013 Internal Control—Integrated Framework
- **RES-019** modified to incorporate the factors related to group audit engagements.
- **RES-021 Factors to Be Considered When Documenting Client/Engagement Acceptance and Continuance** added Factors to Be Considered When Documenting Client/Engagement Acceptance and Continuance.

**In addition, forms and practice aids throughout have been updated to include new examples and tips and, where applicable, to take into account:**

New literature, standards, and developments, reflected in the following current audit and accounting guidance:

Statements on Auditing Standards (SASs):

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

FASB Accounting Standards Codification as of June 30, 2014, and through Accounting Standards Update No. 2014-12—— *Compensation—Stock Compensation (Topic 718): Accounting for Share-Based Payments When the Terms of an Award Provide That a Performance Target Could Be Achieved after the Requisite Service Period (a consensus of the FASB Emerging Issues Task Force)*.

Users of this content should consider guidance issued subsequent to these items to determine their effect on engagements conducted using this product.

## 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	X	
KBA-105	Review of Significant Accounting Estimates	X	
KBA-200	Entity Information and Background	X	
KBA-201	Client/Engagement Acceptance and Continuance Form: Complex Entities		
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: Patient Service Revenue, Patient Accounts Receivable, and Cash Receipts		
KBA-404	Understanding Activity-Level Controls: Supplies Inventory, Purchases, and Supplies Expense		
KBA-405	Understanding Activity-Level Controls: Property and Equipment		
KBA-406	Understanding Activity-Level Controls: Other Assets		
KBA-407	Understanding Activity-Level Controls: Accounts Payable and Cash Disbursements		
KBA-408	Understanding Activity-Level Controls: Payroll		
KBA-409	Understanding Activity-Level Controls: Treasury		
KBA-410	Understanding Activity-Level Controls: Income Taxes		
KBA-411	Understanding Activity-Level Controls: Financial Reporting and Closing Process		
KBA-412	Understanding Controls Maintained by a Service Organization		X
KBA-501	Team Discussion of the Risks of Material Misstatement		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
KBA-502	Summary of Risk Assessments	X	
KBA-503	Basis for Inherent Risk Assessment		
KBA-902	Audit Review and Approval Checklist		
KBA-903	Tax Specialist Review Checklist		
KBA-904	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 in Securities, Derivative Instruments, and Hedging Activities		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-803	Audit Program: Patient Accounts Receivable and Net Patient Service Revenue		
AUD-804	Audit Program: Third-Party Settlements		
AUD-805	Audit Program: Supplies Inventory and Supplies Expense		
AUD-806	Audit Program: Prepaid Expenses, Deferred Charges, and Other Assets		
AUD-807	Audit Program: Intangible Assets		
AUD-808	Audit Program: Property and Equipment, and Depreciation		
AUD-809	Audit Program: Accounts Payable and Purchases		
AUD-810	Audit Program: Payroll and Other Liabilities		
AUD-811	Audit Program: Medical Malpractice Loss Contingencies		
AUD-812	Audit Program: Contributions Receivable, Related Support, Contribution Revenue, and Split-Interest Agreements		
AUD-813	Audit Program: Income Taxes		
AUD-814	Audit Program: Tax Considerations of a Tax-Exempt Health Care Organization		
AUD-815	Audit Program: Debt Obligations		
AUD-816	Audit Program: Equity		
AUD-817	Audit Program: Net Assets		
AUD-818	Audit Program: Other Income and Expense		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AUD-819	Audit Program: Journal Entries and Financial Statement Review		
AUD-820	Audit Program: Related-Party Transactions		
AUD-821	Audit Program: Fair Value Measurements and Disclosures		
AUD-821	Audit Program: Fair Value Measurements and Disclosures		
AUD-822	Audit Program: Variable Interest Entities		
AUD-823	Audit Program: Share-Based Payments		
AUD-824	Audit Program: Commitments and Contingencies		
AUD-825	Audit Program: Accounting Estimates		
AUD-826	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		
AUD-907	Interim Review Program: Review of Interim Financial Information		
AUD-908	Interim Review Program: Management Inquiries		
<b>AIDs</b>	<b>PRACTICE AIDs</b>		

<i>Form No.</i>	<i>Form Name</i>	<i>Foundation Workpaper</i>	<i>Association Workpaper</i>
AID-302	Understanding the Entity's Revenue Streams and Revenue Recognition Policies		
AID-601	Considering Reliance on the Work of Internal Auditors		
AID-603	Component Identification and Analysis		
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-412 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	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 the engagement team 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	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