

2014 SINGLE AUDIT 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.

2014 Knowledge-Based Single Audits™, has been updated where applicable to take into account new or pending compliance auditing standards and guidance, and their applicability to single audits, as well as the OMB Circular A-133 2014 **Compliance Supplement**. Many new tips and examples have been incorporated. The 2015 tools include links to specific guidance that provides instant access to detailed analysis related to the steps and processes discussed in the workpapers. The 2015 edition of Knowledge-Based Single Audits is current through SAS-129, *Letters for Underwriters and Certain Other Requesting Parties*; *Government Auditing Standards, December 2011 Revision*; and OMB Circular A-133 2014 *Compliance Supplement* as of March 2014; and includes guidance on the 2013, 2014, and 2015 Data Collection form, and preliminary discussion of 2CFR 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Where applicable, the AICPA *Code of Professional Conduct—Revised* is discussed. Finally, where applicable, the provisions of the updated Committee of Sponsoring Organizations (COSO) 2013 update to *Internal Control —Integrated Framework* is referenced and incorporated.

The 2014 tool include the following updates:

Knowledge-Based Audit Documents (KBAs)

| Type of Change | Description of Change | Location | Based on Standard Y/N | Standard Reference | Roll Forward and Update Content Considerations |
|--|--|---------------------------|-----------------------|---|---|
| KBA-101S Overall OMB Circular A-133 Compliance Audit Strategy | | | | | |
| New | New tailoring has been added. | Tailoring | N | N/A | Review and answer the new tailoring question in AUD-100S. |
| Modified | Added Practice Alert – Notice of changes in 2CFR200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards | Purpose | Y | Uniform Administrative Requirements 2CFR200 | |
| Modified | Added Practice Alert for 2CFR200, Section 200.518, which adjusts the major program determination, based upon the language in each new grant award received after December 26, 2014 | Section 1 | Y | Uniform Administrative Requirements 2CFR200 Section 200.518 | |
| Modified | Added Practice Alert for Uniform Administrative Requirements likely being included in the 2015 Compliance Supplement | Use of Other Information; | Y | Uniform Administrative | |

| Type of Change | Description of Change | Location | Based on Standard Y/N | Standard Reference | Roll Forward and Update Content Considerations |
|--|---|---|-----------------------|--|---|
| | | Section IV | | Requirements | |
| KBA-103S Summary and Evaluation of Noncompliance | | | | | |
| Modified | Revised Section III: Conclusion: Document below the implications on the auditors' report (i.e., unmodified, modified by being qualified, adverse, or disclaimer of opinion). | Sections II and III tab | N | | |
| KBA 104S Evaluating and Communicating Deficiencies in Internal Control over Compliance | | | | | |
| Updated | Added Practice Alert: Practice Alert: The 2014 Data Collection Form as well as the guidance on the Schedule of Findings and Questioned Costs contained within the new Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards will require uniform coding for all control deficiencies with the entire year, a hyphen, and then a three-digit number signifying the finding. For example, finding number 1 for 2015 would be reported as 2015-001 and so on. Practitioners should make this conversion as soon as possible starting with the accumulation of deficiencies to reporting on the Data Collection Form as well as the Schedule of Findings and Questioned Costs (SFQC). | Instructions | Y | Part 200 | |
| Modify | Content update for 2013 Framework. | Instructions Table other than procedures | Y | COSO | The flow of findings identified in the KBA-400 series of workpapers has changed due to the COSO Framework changes. Publish KBA-104S prior to roll forward to ensure you maintain your data. |
| KBA-302N Understanding the Entity's Program Environment: Noncomplex Entities | | | | | |
| Modified | Added Practice Alert - Updated for changes in 2CFR200 | Instructions | Y | <i>Uniform Administrative Requirements</i> | |
| KBA-302S Understanding the Entity's Program Environment: Complex Entities | | | | | |
| Modified | Added Practice Alert - Updated for changes in 2CFR200 | Instructions | Y | <i>Uniform Administrative Requirements</i> | |
| KBA-303S Inquiries of Management and Others within the Entity about the Risks of Fraud in a Circular A-133 Compliance Audit | | | | | |
| Modified | Added Practice Alert - Updated for changes in 2CFR200 | Instructions | Y | <i>Uniform Administrative Requirements</i> | |
| Modified | Added Practice Point under Inquiries of Internal Audit Function, | Table other | Y | COSO | |

| Type of Change | Description of Change | Location | Based on Standard Y/N | Standard Reference | Roll Forward and Update Content Considerations |
|--|---|---|-----------------------|--|--|
| | (if applicable) | than procedures | | | |
| KBA-400S Identification of Applicable Compliance Requirements | | | | | |
| Modified | Added Practice Alert; updated for changes in 2CFR200 | Instructions | Y | <i>Uniform Administrative Requirements</i> | |
| KBA-401N Understanding Entity-Level Controls over Compliance: Noncomplex Entities | | | | | |
| Modified | Updated for 2013 COSO framework as applicable | Instructions | Y | COSO | |
| KBA-401S Understanding Entity-Level Controls over Compliance: Complex Entities | | | | | |
| 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 | |
| KBA-402S Understanding Compliance Requirement-Level Controls: Activities Allowed and Unallowed and Allowable Costs/Cost Principles through KBA-414S Understanding Compliance Requirement-Level Controls: Special Tests and Provisions | | | | | |
| Modify | Content updated for 2013 <i>COSO Internal Control – Integrated Framework</i> , to include new columns for “Are Controls Present?” and “Are Controls Functioning?” | Instructions Table other than procedures | Y | COSO | There is new functionality in these workpapers to include changes in the way data flows, default answers, and dynamic diagnostics. |
| Modified | Updated for changes in 2CFR200 | Instructions | Y | <i>Uniform Administrative Requirements</i> | |
| KBA-402S Understanding Compliance Requirement-Level Controls: Activities Allowed and Unallowed and Allowable Costs/Cost Principles | | | | | |
| Modified | Added Practice Alert; updated for changes in 2CFR200 | Instructions | Y | <i>Uniform Administrative Requirements</i> | |
| KBA-502S Summary of Assessments of Risks of Noncompliance | | | | | |
| Modified | Added Practice Alert; updated for changes in 2CFR200 | Instructions | Y | <i>Uniform Administrative Requirements</i> | |
| KBA-503S Basis for Assessment of Inherent Risk of Noncompliance | | | | | |

| Type of Change | Description of Change | Location | Based on Standard Y/N | Standard Reference | Roll Forward and Update Content Considerations |
|---|--|------------------------------|-----------------------|--|--|
| Modified | Added Practice Alert; updated for changes in 2CFR200 | Table, other than procedures | Y | <i>Uniform Administrative Requirements</i> | |
| KBA-902S OMB Circular A-133 Compliance Audit Review and Approval Checklist | | | | | |
| Updated | <p>Updated for final guidance for 2013 DCFs; Added Practice Alert after item 17:</p> <p>Practice Alert: Late in 2013, the OMB issued a Federal Register notice with proposed changes to the 2013 data collection form (DCF) to be final in 30 days. The revisions would be applicable for the 2013, 2014, and 2015 forms. A number of important changes are included:</p> <ul style="list-style-type: none"> • The auditor's Employer Identification Number (EIN) will now be required. This includes state audit organizations. • The federal awards findings page has been redesigned. • Audit finding reference numbers are now in a standard format for finding reference numbers (i.e., the four-digit audit year, a hyphen, and a three-digit sequence number) and audit finding reference numbers on the form match those reported in the Schedule of Findings and Questioned Costs and applicable auditor's reports. • Due to time zone changes, extensions will now be allowed for weekends or holidays falling at the filing dates. • There will be a new submission process with passwords changing every 60 days. Internal checks will occur to not allow filing of DCFs below \$500,000. • Attached files to the DCF must be 85% screen readable, unlocked, and unencrypted for states and entities with cognizant agencies for 2013 and all other entities in 2014. | Procedures | Y | Instructions to Data Collection Form | |

Audit Programs (AUDs)

| Type of Change | Description of Change | Location | Based on Standard Y/N | Standard Reference | Roll Forward Considerations |
|--|---|----------------|-----------------------|--------------------|--|
| AUD-100S Tailoring Question Worksheet | | | | | |
| New | New tailoring question has been added. | Tailoring | N | N/A | Review and answer. This new tailoring question will impact other workpapers. |
| AUD-101S Overall Audit Program: OMB Circular A-133 Compliance Audit | | | | | |
| Modified | <p>Added: Practice Alert addressing OMB and COFAR reforms on federal grant operations - goal to streamline and improve administration; reforms being implemented throughout 2014 for years beginning on or after December 26, 2014 (effective as of January 1, 2015 through December 31, 2015; for a June 30th fiscal year-end, the audit period will be from July 1, 2015 through June 30, 2016).</p> <p>Practice Alert: On December 26, 2013, the White House Office of Management and Budget (OMB) and the United States Chief Financial Officers Council – Council on Financial Assistance Reform (COFAR) announced seemingly sweeping reforms of federal grant operations contained within an omnibus document, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards</i>. The goal of the reform is to streamline and improve administration of federal grant operations from application to 'close-out,' modernize and improve cost accounting, and focus audit operations where there is the most need for improvement.</p> <p>The reforms are being implemented throughout 2014, initially by federal agencies which must publish procedural guidance no later than December 26, 2014. Audits will be affected by the reforms for years beginning on or after December 26, 2014. That means for a December 31st entity, the first audit period that the reforms will be effective will be as of January 1, 2015 through December 31, 2015. For a June 30th fiscal year end, the audit period will be from July 1, 2015 through June 30, 2016. Changes include the following:</p> <p>Single Audit Threshold for Audit to Increase to \$750,000. Entities that expend less than \$750,000 in federal awards would not be required to undergo a single audit. This would represent an increase from the current \$500,000 threshold for single audits which was established in 2003. The guidance states that any entity that falls below the \$750,000 threshold must make records available for review or audit by appropriate officials of the federal agency, pass-through entity, and the Government Accountability Office.</p> <p>Changes to the Major Program Determination Process: Type A/B Threshold. The OMB is modifying and clarifying several key provisions of the major program determination process. For example, the minimum threshold for the Type A/B program determination would be revised from \$300,000 to \$750,000.</p> | Practice Alert | Y | Part 200 | |

| Type of Change | Description of Change | Location | Based on Standard Y/N | Standard Reference | Roll Forward Considerations |
|----------------|--|----------|-----------------------|--------------------|-----------------------------|
| | <p>Changes to the Major Program Determination Process; High-Risk Type A Programs. The criteria for Type A programs to qualify as high-risk are being revised such that for a Type A program to be designated as high-risk it must have, in the most recent period, failed to receive an unmodified opinion; had a material weakness in internal control; or had questioned costs exceeding five percent of the program's expenditures.</p> <p>Changes to the Major Program Determination Process: Type B Programs. The guidance would reduce the number of high-risk Type B programs that must be tested as major programs from at least one-half to at least one-fourth of the number of low-risk Type A programs. Additionally, small Type B programs would be considered those that are a flat 25% of the Type A/B program threshold.</p> <p>Percentage of Coverage Changes. The percentage of coverage required in a single audit is proposed to be reduced from the current 50% (normal) and 25% (low-risk auditees) to 40% (normal) and 20% (low-risk auditees).</p> <p>Criteria for Low-Risk Auditee Status. The criteria for low-risk auditee status has been revised. For example, it would now more clearly include data collection form submission within required timeframes as a criteria and adds a criteria that the auditor did not report a substantial doubt about the auditee's ability to continue as a going concern. It also removes the previous options for waivers in this area.</p> <p>Findings. More detail will be required to be reported in auditor findings. However, the questioned cost threshold for reporting will be increased from \$10,000 to \$25,000.</p> <p>Streamlining of Related Circulars and Guidance. The document streamlines eight existing OMB Circulars into one document including OMB Circular A-133 and the various Cost Principles. Additionally, the proposed guidance would consolidate the cost principles into a single document with limited variations by type of entity. The OMB states that the document will supersede the following OMB Circulars:</p> <ul style="list-style-type: none"> • A-21, <i>Cost Principles for Educational Institutions</i>; • A-87, <i>Cost Principles for State, Local, and Indian Tribal Governments</i>; • A-89, <i>Federal Domestic Assistance Program Information</i>; • A-102, <i>Awards and Cooperative Agreements with State and Local Governments</i>; • A-110, <i>Uniform Administrative Requirements for Awards and Other Agreements with Institutions of Higher Education, Hospitals, and Other Nonprofit Organizations</i>; • A-122, <i>Cost Principles for Non-Profit Organizations</i>. • A-133, <i>Audits of States, Local Governments and Non-Profit Organizations</i>; and <p>Those sections of A-50, <i>Audit Follow-Up</i>, related to Single Audits.</p> | | | | |

| Type of Change | Description of Change | Location | Based on Standard Y/N | Standard Reference | Roll Forward Considerations |
|---|---|----------------|-----------------------|--|-----------------------------|
| Modified | Added Practice Alert addressing 2CFR200 | Practice Alert | Y | <i>Uniform Administrative Requirements</i> | |
| Modified | <p>Added Practice Alert to step 15:</p> <p>Practice Alert: The <i>Uniform Administrative Requirements</i> focus on testing for fraud, waste and abuse, as well as performance requirements. In doing so, the compliance requirements are supposed to be reduced. The scope is limited to activities allowed or unallowed, allowable costs, cash management, cost principles, eligibility, subrecipient monitoring and reporting. Federal agencies are allowed one additional, special test and provision requirement. As of the date of publication though, the final list of compliance requirements is not available and will likely be included in the 2015 <i>Compliance Supplement</i>. Care must be taken by auditors to understand which of the types of compliance requirements are applicable for which federal award</p> | Procedure step | Y | <i>Uniform Administrative Requirements</i> | |
| AUD-601S Audit Program: Testing and Evaluating Internal Auditors' Work | | | | | |
| Modified | <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"> • 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; • If using the work of the internal audit function to obtain audit evidence, determine whether such work is adequate for the purposes of the audit; and • If using internal auditors to provide direct assistance, determine the appropriate level of direction, supervision, and review of their work. | Purpose | Y | SAS-128 – AU-C 610 | |
| Added | <p>Practice Alert: 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</p> | Instructions | Y | SAS-128 - AU-C 610 | |

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| | <p>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> | | | | |
| Modified | Section I title changed to: USING THE WORK OF THE INTERNAL AUDIT FUNCTION IN OBTAINING AUDIT EVIDENCE | Instructions | Y | SAS-128 – AU-C 610 | |
| Modified | <p>Section II – Instructions modified:</p> <p>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.</p> | Instructions | Y | SAS-128 – AU-C 610 | |
| Modified | <p>Modified and added steps & substeps to Section I as follows:</p> <ol style="list-style-type: none"> 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. 2. We evaluated the internal audit function, including the following: <ol style="list-style-type: none"> a. The extent to which the internal audit function's organizational status and relevant policies and procedures support the objectivity of the internal auditors. b. The level of competence of the internal audit function. c. Whether the internal audit function applies a systematic and disciplined approach, including quality control. <p>Practice Point: The external auditor should not use the work of the internal audit function in obtaining audit evidence if the external auditor determines that:</p> | 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 |
|----------------|---|-----------------|-----------------------|--------------------|-----------------------------|
| | <ul style="list-style-type: none"> • The function's organizational status and relevant policies and procedures do not adequately support the objectivity of internal auditors; • The function lacks sufficient competence; or • The function does not apply a systematic and disciplined approach, including quality control. <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> | | | | |
| Modified | 5.a Examining some of the controls, transactions, or balances that the internal auditors examined, and reperforming some of the work; | Procedure Steps | Y | SAS-128 AU-C 610 | |
| Added | <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 AU-C 610 | |
| Modified | 7. We performed procedures and compared the results of our tests | Procedure | Y | SAS-128 AU-C 610 | |

| Type of Change | Description of Change | Location | Based on Standard Y/N | Standard Reference | Roll Forward Considerations |
|----------------|---|-----------------|-----------------------|--------------------|-----------------------------|
| | with the results of the internal auditors' work and documented our conclusions on the adequacy of the work performed by internal auditors. | Steps | | | |
| Added | <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 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.</p> | Procedure Steps | Y | SAS-128 AU-C 610 | |
| Modified | <p>Section II Modified with added steps:</p> <ol style="list-style-type: none"> 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. 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"> a. The amount of judgement involved in: <ol style="list-style-type: none"> (1) Planning and performing relevant audit procedures; and (2) Evaluating the audit evidenced gathered. b. The assessed risk of material misstatement; and | 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>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.</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 internal auditors to provide direct assistance.</p> <p>4. 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.</p> <p>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> | | | | |
| Added | 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 AU-C 610 | |
| Added | <p>10. We documented:</p> <p>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;</p> <p>b. The basis for the decision regarding the nature and extent of the work performed by the internal auditors;</p> <p>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;</p> <p>d. The written acknowledgments above obtained from an authorized representative of the entity and the internal auditors; and</p> <p>The working papers prepared by the internal auditors who provided direct assistance.</p> | Procedure Steps | Y | SAS-128 AU-C 610 | |
| AUD-602S Audit Program: Involvement of a Component Auditor | | | | | |

| Type of Change | Description of Change | Location | Based on Standard Y/N | Standard Reference | Roll Forward Considerations |
|----------------|---|----------------|-----------------------|--------------------|-----------------------------|
| Updated | <p>Updated the Instructions; added new example.</p> <p>This audit program should be used when the auditor plans to involve another office of the firm, correspondent, affiliate, or independent auditor to audit a portion of a major program. Also, many governments engage separate auditors to perform single audits on specific programs, agencies etc., as part of an overall audit.</p> <p>Example: An elected state auditor performs the financial statement audit for a state. However, the state auditor does not have the expertise or the personnel to audit the Medicaid cluster of a state. The state auditor engages an independent auditor to audit the cluster. Therefore, a group audit exists. The state auditor is the group engagement partner and the independent auditor of the Medicaid cluster is a component auditor.</p> | Instructions | N | Best practice | |
| Updated | <p>Added new Practice Point:</p> <p>Practice Point: <i>COR-209 Group Engagement Team's Request for Component Auditor's Confirmations When the Component Auditor Audits the Financial Statements of a Component Unit or Other Reporting Unit or COR-210 Group Engagement Team's Request for Component Auditor's Confirmations When the Component Auditor Performs Certain Audit Procedures</i> (in CCH's <i>Knowledge-Based Audits of Governmental Entities</i> toolset) may be used to request confirmations from the component auditor(s).</p> | Practice Point | N | N/A | |
| Updated | <p>Added new procedures step 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"> • Whether there are differences in the financial reporting framework applied in preparing the component and group financial statements. • Whether the audit of the component financial statements will be completed in time to meet the group reporting schedule. • 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>Practice Point: 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"> a. The component's financial statements are prepared using the same financial reporting framework as the group financial statements; b. The component auditor has performed an audit on the financial statements of the component in accordance with U.S. GAAS or, when | Procedures | Y | AU-C 600 | |

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| | required by law or regulation, with auditing standards promulgated by the Public Company Accounting Oversight Board (PCAOB); and c. The component auditor has issued an auditor's report that is not restricted as to use. | | | | |
| Updated | Added new checkbox item to procedures step 9: • We have inquired about subsequent events, or performed subsequent procedures on the components and documented them in AUD-901S. | Procedures | Y | AU-C 600 | |
| Updated | Added new Practice Point after step 13: Practice Point: 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. | Practice Point | Y | AU-C 600 | |
| AUD-701S Audit Program: Designing Tests of Controls over Compliance | | | | | |
| Modified | Added Practice Alert - <i>Uniform Administrative Requirements</i> | Instructions | Y | <i>Uniform Administrative Requirements</i> | |
| Added | Added “The reliability of the data on which the controls testing will be performed” to the determination and the extent of the tests of controls steps. | Procedure Steps | Y | COSO | |
| AUD-801S Audit Program: Activities Allowed or Unallowed through AUD-816S Audit Program: Special Tests and Provisions | | | | | |
| Modified | Added new Practice Alerts - <i>Uniform Administrative Requirements</i> | Purpose | Y | <i>Uniform Administrative Requirements</i> | |
| AUD-816S Audit Program: Special Tests and Provisions | | | | | |
| Updated | Added new Practice Point: Practice Point: For a blank audit program, the auditor should use AUD-818s to design and document tests not mentioned in any other pre-designed workpaper. | Instructions | N | N/A | |
| AUD-817S Audit Program: Schedule of Expenditures of Federal Awards | | | | | |
| Modified | Reminds auditor of reconciliation of SEFA and provides update on 2CFR200 | Purpose | Y | 2CFR200; SEFA | |
| AUD-901S Audit Program: Subsequent Events | | | | | |
| Updated | Added new Practice Point: Practice Point: If part of a group audit, provisions of AU-C Section 600 apply. Therefore, reference is made in KBA-600 Group Audit Components Documentation) for group auditor and this workpaper is provided to the | Purpose | N | N/A | |

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| | group auditor if prepared by a component auditor. | | | | |
| Modified | Added new step on noncompliance under General Audit Procedures: After the report date, did we become aware of any matter of noncompliance that was significant enough that a grantor stopped funding a program? (If “Yes,” the auditor’s report should be modified to include an other-matter paragraph describing the nature and extent of noncompliance). | Procedures | Y | | |

Auditor’s Reports (RPTs)

2014 **Knowledge-Based Single Audits** includes illustrative example auditor’s reports updated to reflect the new reporting language presented in the AICPA’s Audit Guide, *Government Auditing Standards and Circular A-133 Audits*.

- **RPT-904S Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance in Accordance with OMB Circular A-133 (Unmodified Opinion on Compliance for Each Major Federal Program; Significant Deficiencies in Internal Control over Compliance Identified)** through **RPT-908S Schedule of Findings and Questioned Costs Schedule of Findings and Questioned Costs** added Practice Alert about the new finding structure (final proposal of the 2013 Data Collection Form; adjusted to 13-6 in the AICPA A-133 Guide.

Correspondence Documents (CORs)

- **COR-201S Single Audit Engagement Letter: Governmental Entity** referenced SAS-129 and updated for data collection form.
- **COR-202S Single Audit Engagement Letter: Not-for-Profit Entity** updated to discuss the data collection form and the auditors responsibility and the entity’s responsibility.
- **COR-203S Program-Specific Audit Engagement Letter** updated note in accordance with the *Code of Professional Conduct – Revised* ET Section 1.150.040, *Use of a Third-Party Service Provider*.
- **COR-213S Sample Communication with Those Charged with Governance during Planning** added Practice Alert - updated to AICPA Professional Ethics Division and the Professional Ethics Executive Committee proposed definition of “those charged with governance.”
- **COR-801S Request for Confirmation of Federal Awards** updated table for FFATA and 2CFR200.
- **COR-901S Management Representation Letter: Government Entity Single Audit** updated for GASB-65 - Deferred Charges (to be used only before the implementation of GASB-65 for periods beginning on or before December 15, 2012). Also updated for provisions of Circular A-87 or 2CFR200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* as applicable.
- **COR-902S Management Representation Letter: Not-for-Profit Entity Single Audit** updated Illustrative Management Representation Letter - NFP Entity Single Audit - new item 15 under "Financial Statements" to address uncertain tax positions; and new item 38d under "OMB Circular A-133."
- **COR-903S Management Representation Letter: Single Audit Representations Only** updated Illustrative Management Representation Letter with new item.

Practice Aids (AIDs)

- **AID-201S Nonaudit Services Independence Checklist** added a Practice Alert addressing the AICPA Accounting and Review Services Committee (ARSC) exposure draft *Preparation of Financial Statements, Compilation Engagements, and Association with Financial Statements* and updated for the *Nonattest Services* interpretation (ET Section 101.05, and 191-.015-016; as of December 15, 2014, ET Section 1.295) and Chapter 3 of *Government Auditing Standards—2011 Revision* (the Yellow Book). Changed nonaudit to nonattest to conform to Revised Code and Yellow Book. Updated references to Revised Code and 2CFR200 instead of A-133.
- **AID-301S Single Audit Applicability and Major Program Determination Form** added a separate column for Pass-Through Entity Name and Award Number; added new column for Cluster Name (from Compliance Supplement). Also added two new practice alerts.
- **AID-302S Subrecipient versus Contractor Considerations** terminology change: “vendors” are now called “contractors” in CFR200 – changed throughout and added practice alerts.
- **NEW AID-304S List of Clusters and Programs Contained in OMB Circular A-133 Compliance Supplement as of March 1, 2014** lists all clusters by individual catalog of federal domestic assistance number. The worksheet groups amounts awarded, received, and expended during the period and provides a grand total of all clustered programs.
- **AID-601S Considering the Use of the Work of Internal Auditors** title has been changed to: Considering the Use of the Work of Internal Auditors; tool incorporates the requirements and guidance included in SAS-128, *Using the Work of Internal Auditors*, effective for audits of financial statements for periods ending on or after December 15, 2014. Also added practice point.
- **NEW AID-602S Understanding of and Preliminary Assessment of the Entity’s Internal Audit Function** has been designed to aid the auditor in understanding of the internal audit function and to document 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, technical competence of the internal auditors, and the systematic and disciplined approach used by the internal audit function. Also added practice point.
- **AID-701S Audit Sampling Worksheet for Tests of Controls over Compliance** updated Instructions; added a new Practice Point.
- **NEW AID-702S Matrix of Compliance Requirements** for 2014 Single Audits, shows the types of compliance requirements by CFDA number contained in the March 2014 Compliance Supplement
- **AID-801S Audit Sampling Worksheet for Substantive Tests of Compliance** modified to add a column to indicate controls being tested if dual purpose tests are used; definitions added for selection techniques to help eliminate confusion; new practice point.
- **AID-802S Dual-Purpose Testing Worksheet** modified to include CORE tabs; now contains three tabs.
- **AID-902S Changes to Audit Documentation after the Auditor's Report Release Date: Circular A-133 Compliance Audit** updated Practice Point - *Federal Register* notice with changes to the data collection form (DCF) applicable for the 2013, 2014, and 2015 forms.
- **NEW AID-903S Report Preparation Checklist** added for applicability to Single Audits.

Resource Documents (RESs)

- **RES-001S Knowledge-Based Audit Methodology Overview for Single Audits** added Practice Alert on reforms of federal grant operations contained within an omnibus document – Uniform Administrative Requirements, Cost Principles, and Audit Requirement for Federal Awards and updated with new practice alerts for 2CFR200.
- **RES-002S Index of Audit Programs, Forms, and Other Practice Aids** updated for changes in content.
- **RES-003S Government Auditing Standards and OMB Circular A-133 Audits** updated for 2CFR200.
- **RES-009S Control Objectives and Examples of “What Can Go Wrong” and Related Controls That Address What Can Go Wrong: Activities Allowed and Unallowed and Allowable Costs/Cost Principles** through **RES-021S Example Factors to Be Considered When Understanding the Entity's Federal Program Environment** updated for 2CFR200.
- **NEW RES-QCA Meeting Quality Control Standards Using KBA Audit Tools**

In addition, forms and practice aids throughout have been updated, where applicable, to take into account new literature, standards, and developments applicable to compliance audits, including the current audit and accounting guidance listed below.

- AICPA Statement on Quality Control Standards No. 8, *A Firm's System of Quality Control (Redrafted)*.
- SAS-129, *Letters for Underwriters and Certain Other Requesting Parties*.
- *Government Auditing Standards, December 2011 Revision* (Yellow Book).
- Committee of Sponsoring Organizations – 2013 update to *Internal Control—Integrated Framework*.
- *AICPA Code of Professional Conduct—Revised*.

RELATED, FOUNDATIONS AND ASSOCIATION WORKPAPERS FOR THIS TITLE

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

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

| <i>Form No.</i> | <i>Form Name</i> | <i>Foundation Workpaper</i> | <i>Association Workpaper</i> |
|-----------------|---|-----------------------------|------------------------------|
| KBA s | KNOWLEDGE-BASED AUDIT DOCUMENTS | | |
| KBA-101S | Overall OMB Circular A-133 Compliance Audit Strategy | X | |
| KBA-102S | OMB Circular A-133 Compliance Audit Significant Matters | X | |
| KBA-103S | Summary and Evaluation of Noncompliance | X | X |
| KBA-104S | Evaluating and Communicating Deficiencies in Internal Control over Compliance | X | |
| KBA-301S | Determination of Materiality at the Major Program and Compliance Requirement Levels | | |
| KBA-302S | Understanding the Entity's Federal Program Environment: Complex Entities | | |
| KBA-302N | Understanding the Entity's Federal Program Environment: Noncomplex Entities | | |
| KBA-303S | Inquiries of Management and Others within the Entity about the Risks of Fraud in an OMB Circular A-133 Compliance Audit | | |
| KBA-400S | Identification of Applicable Compliance Requirements | X | |
| KBA-401S | Understanding Entity-Level Controls over Compliance: Complex Entities | | |

| <i>Form No.</i> | <i>Form Name</i> | <i>Foundation Workpaper</i> | <i>Association Workpaper</i> |
|-----------------|---|---------------------------------|----------------------------------|
| KBA-401N | Understanding Entity-Level Controls over Compliance: Noncomplex Entities | | |
| KBA-402S | Understanding Compliance Requirement-Level Controls: Activities Allowed and Unallowed and Allowable Costs/Cost Principles | | X |
| KBA-403S | Understanding Compliance Requirement-Level Controls: Cash Management | | X |
| KBA-404S | Understanding Compliance Requirement-Level Controls: Davis-Bacon Act | | X |
| KBA-405S | Understanding Compliance Requirement-Level Controls: Eligibility | | X |
| KBA-406S | Understanding Compliance Requirement-Level Controls: Equipment and Real Property Management | | X |
| KBA-407S | Understanding Compliance Requirement-Level Controls: Matching, Level of Effort, and Earmarking | | X |
| KBA-408S | Understanding Compliance Requirement-Level Controls: Period of Availability of Federal Funds | | X |
| KBA-409S | Understanding Compliance Requirement-Level Controls: Procurement and Suspension and Debarment | | X |
| KBA-410S | Understanding Compliance Requirement-Level Controls: Program Income | | X |
| KBA-411S | Understanding Compliance Requirement-Level Controls: Real Property Acquisition and Relocation Assistance | | X |
| KBA-412S | Understanding Compliance Requirement-Level Controls: Reporting | | X |
| KBA-413S | Understanding Compliance Requirement-Level Controls: Subrecipient Monitoring | | X |
| KBA-414S | Understanding Compliance Requirement-Level Controls: Special Tests and Provisions | | X |
| KBA-501S | Team Discussion of the Risks of Material Noncompliance | | |

| <i>Form No.</i> | <i>Form Name</i> | <i>Foundation Workpaper</i> | <i>Association Workpaper</i> |
|-----------------|---|---------------------------------|----------------------------------|
| KBA-502S | Summary of Assessments of Risks of Noncompliance | X | X |
| KBA-503S | Basis for Assessment of Inherent Risk of Noncompliance | | |
| KBA-902S | OMB Circular A-133 Compliance Audit Review and Approval Checklist | | |
| KBA-903S | OMB Circular A-133 Compliance Audit Documentation Checklist | | |
| AUDs | AUDIT PROGRAMS | | |
| AUD-100S | Tailoring Question Workpaper | X | |
| AUD-101S | Overall Audit Program: OMB Circular A-133 Compliance Audit | X | |
| AUD-602S | Audit Program: Involvement of a Component Auditor | | X |
| AUD-603S | Audit Program: Using the Work of an Auditor's Specialist | | X |
| AUD-604S | Audit Program: Using the Work of a Management's Specialist | | X |
| AUD-701S | Audit Program: Designing Tests of Controls over Compliance | | |
| AUD-801S | Audit Program: Activities Allowed or Unallowed | | X |
| AUD-802S | Audit Program: Allowable Costs and Cost Principles (OMB Circular A-87) | | X |
| AUD-803S | Audit Program: Allowable Costs and Cost Principles (OMB Circular A-21) | | X |
| AUD-804S | Audit Program: Allowable Costs and Cost Principles (OMB Circular A-122) | | X |

| <i>Form No.</i> | <i>Form Name</i> | <i>Foundation Workpaper</i> | <i>Association Workpaper</i> |
|-----------------|--|---------------------------------|----------------------------------|
| AUD-805S | Audit Program: Cash Management | | X |
| AUD-806S | Audit Program: Davis-Bacon Act | | X |
| AUD-807S | Audit Program: Eligibility | | X |
| AUD-808S | Audit Program: Equipment and Real Property Management | | X |
| AUD-809S | Audit Program: Matching, Level of Effort, and Earmarking | | X |
| AUD-810S | Audit Program: Period of Availability of Federal Funds | | X |
| AUD-811S | Audit Program: Procurement and Suspension and Debarment | | X |
| AUD-812S | Audit Program: Program Income | | X |
| AUD-813S | Audit Program: Real Property Acquisition and Relocation Assistance | | X |
| AUD-814S | Audit Program: Reporting | | X |
| AUD-815S | Audit Program: Subrecipient Monitoring | | X |
| AUD-816S | Audit Program: Special Tests and Provisions | | X |
| AUD-817S | Audit Program: Schedule of Expenditures of Federal Awards | | |
| AUD-901S | Audit Program: Subsequent Events | | |
| AIDs | PRACTICE AIDs | | |

| <i>Form No.</i> | <i>Form Name</i> | <i>Foundation Workpaper</i> | <i>Association Workpaper</i> |
|-----------------|---|---------------------------------|----------------------------------|
| AID-401S | Understanding General Controls over Compliance for Information Technology | | |
| AID-402S | Understanding Controls over Compliance Maintained by a Service Organization | | X |
| AID-601S | Considering Reliance on the Work of Internal Auditors | | |
| AID-801S | Audit Sampling Worksheet for Substantive Tests of Compliance | | |
| AID-901S | Differences of Professional Opinion: OMB Circular A-133 Compliance Audit | | |

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-502S Summary of Assessments of Risks of Noncompliance | KBA-101S Overall A- 133 Compliance Audit Strategy | Once major programs are listed in the table that answer the question "List the major programs or cluster of programs to be included in the scope of the compliance audit," these workpapers will be automatically selected and inserted for each major program when you next insert a Knowledge Coach workpaper. | |
| AUD-801 through AUD-817 | KBA-101S Overall A- 133 Compliance Audit Strategy | Once major programs are listed in the table that answer the question "List the major programs or cluster of programs to be included in the scope of the compliance audit," you can choose which major program to associate with these workpapers. | |
| KBA-402S through KBA-414S | KBA-101S Overall A- 133 Compliance Audit Strategy | Once major programs are listed in the table that answer the question "List the major programs or cluster of programs to be included in the scope of the compliance audit," you can choose which major program to associate with these workpapers. | |
| KBA-103S Summary and Evaluation of Noncompliance | KBA-101S Overall A- 133 Compliance Audit Strategy | Once major programs are listed in the table that answer the question "List the major programs or cluster of programs to be included in the scope of the compliance audit," you can choose which major program to associate with these workpapers. | |
| AID-402S Understanding Ctrl's: Service Org (Custom) | AUD-100S Tailoring Question Workpaper | Does the entity use service organizations for federal program transactions? Is "Yes" Shows the "Has the auditor adequately documented our consideration of service organizations used for federal program transactions in the financial statement audit workpapers? Is "No" Shows the "Document the service organizations used by the entity for federal program transactions." table in KBA-101S Overall A- 133 Compliance Audit Strategy. | |
| | KBA-101S Overall A- 133 Compliance Audit Strategy | Document the service organizations used by the entity for federal program transactions. | Service Organization |
| AUD-602S Audit Program: Component Auditor Involvement (Custom) | AUD-100S Tailoring Question Workpaper | Are any of the applicable compliance requirement types of any of the major programs expected to be audited by component (other independent) auditors? is "Yes" Shows the "Document the compliance requirement types that will be audited by component (other independent) auditors." table in KBA-101S Overall A- 133 Compliance Audit Strategy. | |
| | KBA-101S Overall A- 133 Compliance Audit Strategy | Document the compliance requirement types that will be audited by component (other independent) auditors. | Audit Firm Name |
| AUD-603S Audit Program: Auditor's Specialist (Custom) | AUD-100S Tailoring Question Workpaper | Does the auditor intend to use a specialist on our audit? Is "Yes" Shows the "Has the auditor adequately documented consideration of the use of a specialist for federal program transactions in the financial statement audit workpapers? is "No" Shows the "Document the expected use of a specialist(s) on our audit." table in KBA-101S Overall A- 133 Compliance Audit Strategy. | |
| | KBA-101S Overall A- 133 Compliance 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-604S Audit Program: Management's Specialist (Custom) | AUD-100S Tailoring Question Workpaper | Does the auditor intend to use a specialist on our audit? Is "Yes" Shows the "Has the auditor adequately documented consideration of the use of a specialist for federal program transactions in the financial statement audit workpapers? is "No" Shows the "Document the expected use of a specialist(s) on our audit." table in KBA-101S Overall A- 133 Compliance Audit Strategy. | |

| <i>Workpaper</i> | <i>What is it associated with?</i> | | |
|------------------|--|---|-------------------------|
| | KBA-101S Overall A- 133 Compliance Audit Strategy | Document the expected use of a specialist(s) on our audit. Then select Management's Specialist from the KBA-101S Overall A- 133 Compliance Audit Strategy. | Specialist Firm Name |