

2017 GOVERNMENTAL ENTITIES OVERVIEW FOR KNOWLEDGE COACH USERS

PURPOSE

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

WORKPAPER UPDATES AND ROLL FORWARD NOTES

General Roll Forward Note:

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

The 2017 *Knowledge-Based Audits of Governmental Entities* has been updated to help auditors conduct audit engagements in accordance with auditing standards and guidance, including the requirements of SAS-131, *Amendment to Statement on Auditing Standards No. 122 Section 700, "Forming an Opinion and Reporting on Financial Statements"* (AU-C Section 700); SAS-130, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements* (AU-C Section 940); *Government Auditing Standards—2011 Revision* (GAGAS) (Yellow Book); *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* contained in the 2nd Code of Federal Regulations, Part 200 – 2CFR200; ET Section 1.295, *Nonattest Services*, of the AICPA Code of Professional Conduct-Revised; and guidance in the most recent editions of the AICPA Audit and Accounting Guide, *State and Local Governments*. (For a more in depth discussion on the recently released *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, see the *CCH Knowledge Based Audits™ of State and Local Governments with Single Audits* text). Many new tips and examples have been incorporated. The 2017 tools include links to specific guidance that provides instant access to detailed analysis related to the steps and processes discussed in the workpapers. The workpapers have been updated, where applicable, with links to the guidance in CCH's *Knowledge-Based Audits™ of State and Local Governments with Single Audits*.

In addition, various practice alerts have been added to address the applicability of new or pending audit standards and guidance to audits of state and local governments, including the recently published AICPA State and Local Government Expert Panel article, *Emerging Pension Issues*; GASB Standards and Exposure Drafts up to and including GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*; the *GASB Implementation Guide Update 2016-1*; Statement on Standards for Accounting and Review Services (SSARS) No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification*; and for changes with respect to disclosures related to GASB Standards that are currently in effect or to begin for periods after June 15, 2016.

The 2017 *Knowledge-Based Audits of Governmental Entities* is current through SAS-131 and GASB-82 in effect for this audit season and includes the following updates:

Knowledge-Based Audit Documents (KBAs):

- **KBA-303** title has been modified to *Inquiries of Management and Others within the Entity about the Risks of Fraud and Noncompliance with Laws and Regulations*
- **KBA-501** title has been modified to *Team Discussion and Consideration of the Risks of Material Misstatement*

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
KBA-101 Overall Audit Strategy					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Updated and clarified. Modified for consistency with Commercial; updated references.	throughout	N		
Modify	Added: The auditor may use <i>AID-603 Component Identification and Analysis</i> to document the entity's components and the auditor's assessment of the significance of each component.	Section 1	N		
KBA-103 Evaluating and Communicating Internal Control Deficiencies					
Modify	Modified throughout for consistency with Commercial as adjusted for governmental operations.	Purpose, Instructions, Table	N		All columns will retain on roll forward.
Modify	Added N/A option to column 15	Table	N		
KBA-104 Summary and Evaluation of Misstatements and Omitted, Inaccurate, or Incomplete Disclosures					
Modify	Added Retrospective Review Performed (Yes, No) and Workpaper Reference columns.	Table	N		
KBA-105 Review of Significant Accounting Estimates					
Modify	Modified table, columns have been reorganized so user entry starts with 1 st column	Table	N		All columns will retain on roll forward if user uses the default roll forward settings or the user selects to keep all responses.
KBA-200 Entity Information and Background					
Modify	Minor modifications for consistency with wording of related workpapers	Table	N		
KBA-201 Client/Engagement Acceptance and Continuance Form: Complex Entities					
Modify	Added new steps a, b, c, to Part 2, Section I table, as follows: <ul style="list-style-type: none"> a. Management has not identified a main point of contact. b. Management and those charged with governance do not care about our integrity. c. Management has not agreed to be available and is unwilling to answer questions and to provide clear answers or requested documentation in a timely fashion. 	Table			

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Modified substep Part 2, Section I table step “u”, which now reads: Does management lack the commitment to adopt and apply appropriate accounting principles or demonstrate the desire to interpret accounting principles in an aggressive manner?				This step will retain on Roll Forward.
Modify	Modified Section II table step “d”, which now reads: Is the entity’s operating environment unfavorable, unusually litigious, highly specialized, or considered risky (e.g., special-purpose government with significant dependency on intergovernmental resources)?				This step will retain on Roll Forward.
Modify	Modified Section III table step “t”; now reads: Are there any indications that our firm does (might) have a problem billing or collecting its fees and will all fees, billed or unbilled, or note(s) receivable arising from such fees for any professional services provided more than one year prior to the date of the report be paid prior to the issuance of the report for the current engagement?	Procedures steps	Y	Code	Due to the changes in this step it will reset on Roll Forward.
KBA-301 Worksheet for Determination of Materiality, Performance Materiality, and Thresholds for Trivial Amounts					
Modify	Moved “Performance Materiality” section above “Lesser Materiality” on both the Component Materiality tab and the Materiality Calculations tab of the excel version. Also moved this in the word version.	Text	N		
KBA-302 Understanding the Entity and Its Environment: Complex Entities					
Modify	Updates for governmental operational changes and GASB-80	Text	Y	GASB-80	
Modify	Section III under “Operations” table step “q” has been updated to state: Environmental remediation liabilities or asset retirement obligations.	Table	N		Due to the changes in this step it will reset on Roll Forward.
Modify	Section IV under “Process Flow of Information from Component Units and Other Audited Information” table step “m” updated to state: Legal or applicable financial reporting framework for the events and transactions that gave rise to the adjustments.	Table	N		Due to the changes in this step it will reset on Roll Forward.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
KBA-303 Inquiries of Management and Others Within the Entity About the Risks of Fraud and Noncompliance with Laws and Regulations					
Modify	<p>Modified title and Purpose and Instructions language from “risks of fraud” to “risks of fraud and noncompliance with laws and regulations.”</p> <p>Modified Practice Point, as follows: Practice Point: The auditor may wish to define fraud and noncompliance with laws and regulations as a lead-in to any inquiries. AU-C Section 240 Consideration of Fraud in a Financial Statement Audit, states that fraud is “an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit”). AU-C Section 240 specifically deals with the risk of material misstatement due to fraud and states that there are two types of intentional misstatements that are relevant to the auditor—misstatements resulting from fraudulent financial reporting and misstatements resulting from misappropriation of assets. Both of these should be considered by the auditor when assessing the risk of material misstatement. AU-C Section 250, Consideration of Laws and Regulations in an Audit of Financial Statements, refers to noncompliance with laws and regulations as “acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws or regulations. Such acts include transactions entered into by, or in the name of, the entity or on its behalf by those charged with governance, management, or employees. Noncompliance does not include personal misconduct (unrelated to the business activities of the entity) by those charged with governance, management, or employees of the entity.”</p>	Purpose; Instructions	Y	AU-C 940	
Modify	<p>Added items under Inquiries of Management: Are you aware of laws or regulations that may be expected to have a fundamental effect on the operations of the entity? Are you aware of any noncompliance with laws and regulations?</p>	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>Practice Alert: The Securities and Exchange Commission recently charged 71 municipal issuers that sold bonds between 2011 and 2014 using offering documents that contained materially false statements or omissions about their compliance with continuing disclosure obligations. The parties settled the actions without admitting or denying the findings and agreed to cease and desist from future violations. Pursuant to the terms of the initiative, they also agreed to undertake to establish appropriate policies, procedures, and training regarding continuing disclosure obligations; comply with existing continuing disclosure undertakings, including updating past delinquent filings, disclose the settlement in future offering documents, and cooperate with any subsequent investigations by the SEC. This is an important area of inquiry of management.</p>				
Modify	<p>Modified under Inquiries of Management: Document the identity of the entity’s related parties including changes from the previous year, the nature of the relationships between the entity and each related party, and the type and purpose of transactions entered into, including how these transactions are identified, accounted for, disclosed, authorized and approved:</p> <p>Added under Inquiries of Management: Describe the entity’s policies and procedures regarding compliance with laws and regulations, and for identifying, evaluating, and accounting for litigation claims resulting from noncompliance: Describe the entity’s directives issued and periodic representations obtained from management at appropriate levels of authority concerning compliance with laws and regulations:</p>	Table			The modified question will be retained on roll forward if user selects to keep all responses.
Modify	<p>Added (under Inquiries of Those Charged with Governance): Are you aware of laws or regulations that may be expected to have a fundamental effect on the operations of the entity? Are you aware of any noncompliance with laws and regulations?</p> <p>Modified:</p>	Table	N		The modified question will be retained on roll forward if user selects to keep all responses.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Document the identity of the entity’s related parties including changes from the previous year, the nature of the relationships between the entity and each related party, and the type and purpose of transactions entered into, including how these transactions are identified, accounted for, disclosed, authorized and approved:				
Modify	Added (under Inquiries of Internal Audit Function (if applicable): Are you aware of any noncompliance with laws and regulations?	Table	N		
Modify	Added (under Inquiries of Employees Involved in the Financial Reporting Process): Are you aware of any noncompliance with laws and regulations?	Table	N		
Modify	Added, under Inquiries of Others: Practice Point: Per AU-C Section 240, <i>Consideration of Fraud in a Financial Statement Audit</i> , examples of others within the entity to whom the auditor may wish to direct these inquiries include: <ul style="list-style-type: none"> • Employees involved in initiating, authorizing, processing, or recording complex or unusual transactions (which may help in evaluating the appropriateness of the selection and application of certain accounting policies); • Employees with varying levels of authority within the entity, including, for example, entity personnel with whom the auditor comes into contact during the course of the audit (a) in obtaining an understanding of the entity’s systems and internal control, (b) in observing inventory or performing cutoff procedures, or (c) in obtaining explanations for fluctuations noted as a result of analytical procedures; • Operating personnel not directly involved in the financial reporting process; • Marketing, sales, or production personnel, or other operating personnel not directly involved in the financial reporting process; • In-house legal counsel; • Risk management function; 	Table	Y	AU-C Section 240	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<ul style="list-style-type: none"> Information systems personnel; Chief ethics officer or the equivalent position; and The person(s) charged with dealing with allegations of fraud. 				
Modify	<p>Added (under Inquiries of Others): Are you aware of any noncompliance with laws and regulations? Modified:</p> <p>Based upon the above inquiries, we investigated inconsistencies related to inquiries of management, those charged with governance, and others, and have considered their impact on our assessment of the risk of fraud and identified risks of material misstatement due to fraud that have been summarized at <i>KBA-502 Summary of Risk Assessments</i>.</p>	Table	N		The modified question will be retained on roll forward if user selects to keep all responses.
KBA-400 Scoping and Mapping of Significant Account Balances, Classes of Transactions, and Disclosures					
Modify	Updated for SEC 15c2-12 issues		Y	SEC 15c2-12	
Modify	Minor modifications throughout	Text; table, other than procedures	N		
New	New diagnostic in Table 2 if the user answers column 12, "Are Controls Functioning" as "No" but the user hasn't answered column 7, "If Column 6 is "No" Describe the Control Deficiency Identified". This will remind the user to describe the control deficiency if the controls aren't functioning so there is no blank flow to KBA-103.	Table	N		
New	New diagnostic in Table 3 if the user answers column 13, "Are Controls Functioning" as "No" but the user hasn't answered column 8, "If Column 7 is "No" Describe the Control Deficiency Identified". This will remind the user to describe the control deficiency if the controls aren't functioning so there is no blank flow to KBA-103.	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
New	Added a comments column at end of Table 1: Scoping and Mapping. This column doesn't have to be completed as it will not have an unanswered question diagnostic.				
KBA-401 Understanding Entity-Level Controls: Complex Entities					
Modify	<p>Added, to Instructions, after first paragraph:</p> <p>Obtaining an understanding of entity-level controls is a continuous, dynamic process of gathering, updating, and analyzing information throughout the audit. Identifying significant changes in entity-level controls from previous periods is particularly important in gaining a sufficient understanding of the entity and to identify and assess risks of material misstatement. To highlight significant changes in the current year, the auditor should designate the degree of change from the previous year. A significant change from the previous year may be an indication of a necessary modification to the assessment of risk and design of further audit procedures related to that item. While performing each audit, the auditor should continually update this form to update the knowledge gained in previous years.</p> <p>Entity-level controls vary in nature and level of precision and the extent to which the auditor may rely on them; therefore, the auditor should consider that:</p> <ul style="list-style-type: none"> • Some entity-level controls, such as certain control environment controls, have an important, but indirect, effect on the likelihood that a misstatement will be detected or prevented on a timely basis. These controls might affect the other controls the auditor selects for testing and the nature, timing, and extent of procedures the auditor performs on other controls. • Some entity-level controls monitor the effectiveness of other controls. Such controls might be designed to identify possible breakdowns in lower-level controls, but not at a level of precision that would, by themselves, sufficiently address the assessed risk that misstatements to a relevant assertion will be prevented or detected on 	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>a timely basis. These controls, when operating effectively, might allow the auditor to reduce the testing of other controls.</p> <ul style="list-style-type: none"> Some entity-level controls might be designed to operate at a level of precision that would adequately prevent or detect on a timely basis misstatements to one or more relevant assertions. If an entity-level control sufficiently addresses the assessed risk of misstatement, the auditor need not test additional controls relating to that risk. 				
Modify	<p>Modified bulleted text under “If “No,” Identify the Type of Deficiency”:</p> <p><i>Material weakness.</i> A deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:</p> <ul style="list-style-type: none"> — <i>Reasonably possible.</i> The chance of the future event or events occurring is more than remote but less than likely. — <i>Probable.</i> The future event or events are likely to occur. <p><i>Significant deficiency.</i> A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance.</p> <p><i>Deficiency in internal control.</i> A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in <i>design</i> exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in <i>operation</i> exists when a properly designed</p>	Table	Y	ICFR	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.				
New	New diagnostic if the user answers column 12, “Are Controls Functioning” as “No” but the user hasn’t answered column 7, “If Column 6 is “No” Describe the Control Deficiency Identified”. This will remind the user to describe the control deficiency if the controls aren’t functioning so there is no blank flow to the Conclusion Section.	Table	N		
KBA-401N Understanding Entity-Level Controls: Noncomplex Entities					
Modify	<p>Added:</p> <p>Entity-level controls vary in nature and level of precision and the extent to which the auditor may rely on them; therefore, the auditor should consider that:</p> <ul style="list-style-type: none"> Some entity-level controls, such as certain control environment controls, have an important, but indirect, effect on the likelihood that a misstatement will be detected or prevented on a timely basis. These controls might affect the other controls the auditor selects for testing and the nature, timing, and extent of procedures the auditor performs on other controls. Some entity-level controls monitor the effectiveness of other controls. Such controls might be designed to identify possible breakdowns in lower-level controls, but not at a level of precision that would, by themselves, sufficiently address the assessed risk that misstatements to a relevant assertion will be prevented or detected on a timely basis. These controls, when operating effectively, might allow the auditor to reduce the testing of other controls. Some entity-level controls might be designed to operate at a level of precision that would adequately prevent or detect on a timely basis misstatements to one or more relevant assertions. If an entity-level control sufficiently addresses the 	Instructions	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	assessed risk of misstatement, the auditor need not test additional controls relating to that risk.				
KBA-402 Understanding General Controls for Information Technology					
Modify	<p>Modified Section III instructions under “If No, Identify the Type of Deficiency”:</p> <p>AU-C Section 265, <i>Communicating Internal Control Related Matters Identified in an Audit</i>, defines deficiencies as follows:</p> <ul style="list-style-type: none"> • <i>Material weakness.</i> A deficiency or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows: <ul style="list-style-type: none"> — <i>Reasonably possible.</i> The chance of the future event or events occurring is more than remote but less than likely. — <i>Probable.</i> The future event or events are likely to occur. • <i>Significant deficiency.</i> A deficiency, or a combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness yet important enough to merit attention by those charged with governance. • <i>Deficiency in internal control.</i> A deficiency in internal control over financial reporting exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A deficiency in <i>design</i> exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would 	Table	Y	AU-C Section 265	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	not be met. A deficiency in <i>operation</i> exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.				
New	New diagnostic in the Less Complex table if the user answers column 8, “Are Controls Functioning” as “No” but the user hasn’t answered column 6, “If Not Effectively Designed or Implemented, Describe the Control Deficiency Identified”. This will remind the user to describe the control deficiency if the controls aren’t functioning so there is no blank flow to the Conclusion Section.	Table	N		
New	New diagnostic in the More Complex table if the user answers column 12, “Are Controls Functioning” as “No” but the user hasn’t answered column 7, “If Column 6 is “No” Describe the Control Deficiency Identified”. This will remind the user to describe the control deficiency if the controls aren’t functioning so there is no blank flow to the Conclusion Section.	Table	N		
KBA-403 Understanding Activity-Level Controls: Revenue, Receivables, and Cash Receipts through KBA-408 Understanding Activity-Level Controls: Financial Reporting and Closing Process					
	Step 5 instructions, added: <ul style="list-style-type: none"> If testing the operating effectiveness of controls, document the <i>Description of the Identified Key Controls</i> at AID-702 Results of Tests of Controls. Table column modified: <i>Description of the Identified Key Controls</i> <i>(Document in AID-702, if applicable)</i>	Table	N		
New	New diagnostic in the Subprocesses table if the user answers column 14, “Are Controls Functioning” as “No” but the user hasn’t answered column 9, “If Controls Are Not Implemented, Not Designed Effectively, or Only Partially Effective, Describe the Control Deficiency”. This will remind the user to describe the control deficiency if the controls aren’t functioning so there is no blank flow to the Conclusion Section.	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Column 5 header of the subprocess table was modified to read: Description of the Identified Key Controls (Document in AID-702, if applicable) This part in parenthesis was added to remind the user where to document the key controls that may be tested.				
KBA-407 Understanding Activity Level Controls: Treasury					
Modify	Updated step under “Purchases and Sales of Investments and Derivatives” as follows: All derivatives and investments held as available for sale are valued in accordance with GASB Statement Nos. 31, 53, 72, and 79, among others, as applicable				Due to the changes in this step it will reset on Roll Forward.
New	New step under “Purchases and Sales of Investments and Derivatives” as follows: Information relating to financial instruments and financial instrument transactions is complete and accurate				
New	New step under “Purchases and Sales of Investments and Derivatives” as follows: The carrying amount of debt, equity securities, and financial instruments is adjusted to fair value, when applicable, and changes in the fair value of those financial instruments are accounted for in accordance with GAAP				
New	New step under “Purchases and Sales of Investments and Derivatives” as follows: Financial instruments are monitored on an ongoing basis to recognize and measure events affecting related financial statement assertions				
New	New step under “Purchases and Sales of Investments and Derivatives” as follows: Investments and derivative instruments are properly classified and presented in accordance with GAAP				
KBA-407 Understanding Activity Level Controls: Financial Reporting and Closing Process					
Modify	Updated step under “Combine and Present General Ledger Data” as follows:				This step will retain on Roll Forward.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	Financial reporting entity combining / elimination entries are recorded in the correct account				
Modify	Updated step under “Prepare Financial Statements and Disclosures” as follows: All financial statements, required supplemental information, balances and details included in the financial statements are valid, including statement of cash flows for business-type activities				Due to the changes in this step it will reset on Roll Forward.
Modify	Updated step under “Prepare Financial Statements and Disclosures” as follows: Financial information is classified appropriately in the financial statements, including the statement of cash flows for business-type activities				Due to the changes in this step it will reset on Roll Forward.
KBA-409 Understanding Controls Maintained by a Service Organization					
Modify	<p>Added step:</p> <p>We inquired of management to determine if management is aware of any changes in the service organization’s controls subsequent to the period covered by the service auditor’s report, and evaluated the effect of any such changes on the audit.</p> <p>Practice Point: Changes in the service organization’s controls may include:</p> <ul style="list-style-type: none"> • Changes communicated to management from the service organization, including those related to the service organization’s processes and information systems. • Changes in personnel at the service organization with whom management interacts. • Changes in the design or implementation of controls that were necessary to achieve the control objectives. • Changes in reports or other data received from the service organization. • Changes in contracts or service level agreements with the service organization. • Errors identified in the service organization's processing or incidents of noncompliance with laws and regulations or fraud. 	Table	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	Modified first step under Conclusion: We evaluated whether a sufficient understanding of the nature and significance of the services provided by the service organization and their effect on the entity’s internal control relevant to the audit has been obtained to provide a basis for the identification and assessment of the risks of material misstatement, or whether we need to perform updating or other procedures with respect to the service organization.	Table	N		This step will reset on roll forward since it was combined with another step. Step 2 of the conclusion will retain the answer of this combined step from the prior year.
New	Added new step 3, under Conclusion: Our assessment of the risk of material misstatement for the affected audit area considers, or has been appropriately updated for, our conclusions reached based on our evaluation of the service organization.	Table	N		
KBA-501 Team Discussion and Consideration of the Risks of Material Misstatement					
Modify	Title modified to “Team Discussion and Consideration of the Risks of Material Misstatement” Added, to the Instructions: This document is designed to help the auditor respond to those risks and to document the auditor’s consideration of fraud in accordance with AU-C Section 240.	Instructions	N	AU-C Section 240	
Modify	Added Procedures steps 1 to 5 under “Identification of Risks of Material Misstatement”: <ol style="list-style-type: none"> 1. We discussed the following matters that may be relevant in identifying risks of fraud: <ol style="list-style-type: none"> a. Risk of omitted, incomplete, or inaccurate disclosures. b. Information from the results of procedures relating to the acceptance and continuance of entity relationships and engagements. c. Information from the results of reviews of interim financial statements. d. Inherent risk identified as part of the consideration of audit risk at the relevant assertion level. 				These steps will retain from AUD-903 if the user selects to keep all responses on roll forward. If KBA-501 wasn’t included in the binder before roll forward please insert it so that these steps will retain on roll forward.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
	<p>2. We reminded all engagement personnel of the need to emphasize professional skepticism, recognizing the possibility that a material misstatement due to fraud may exist, notwithstanding past experience related to the honesty and integrity of management and those charged with governance.</p> <p>3. We reminded all engagement personnel to critically assess audit evidence, and that if reason exists to doubt the authenticity of documents obtained from management or the contents of those documents, to consult with other team members or experts in the firm where appropriate.</p> <p>4. We included the person with final responsibility for the audit and other key members of the audit team (e.g., managers, seniors) in the discussion of the risks of material misstatement, including fraud.</p> <p>5. If auditor’s specialists were assigned to the engagement, we considered involving such specialists in the brainstorming session.</p> <p>These steps were moved from AUD-903 into KBA-501.</p>				
Modify	<p>Added as last step in document:</p> <p>We emphasized the need to discuss the risks of fraud throughout the audit, including when evaluating audit evidence at or near the completion of fieldwork</p>				
KBA-502 Summary of Risk Assessments					
Modify	<p>Added, under Section I: Financial-Statement-Level Risks:</p> <p>Scrutinizing those accounting principles involving subjective measurements and complex transactions;</p> <p>Evaluating the entity’s selection and application of significant accounting principles; and</p>				
Modify	<p>Added Column 12 instructions and added a “Comments” column to the Section II table:</p> <p>Column 12 to provide additional comments, if necessary.</p> <p>There will be no diagnostic on this column and doesn’t require user entry.</p>	Table	N		
KBA-903 Audit Documentation Checklist					

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward and Update Content Considerations
Modify	SAS-130 Updates, step 1, as follows: 1. e. A statement that because of the inherent limitations of an audit, together with the inherent limitations of internal control, an unavoidable risk exists that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with U.S. GAAS; and	Table	Y		Due to the changes within step 1 it will reset on roll forward. Step 2 was added as a new step.
New	step 15 (i) is new: Abstracts or copies of significant contracts and agreements inspected (AU-C 230);	Table	Y	AU-C 230	
New	step 28 practice point is new: Practice Point: After the documentation completion date, the auditor should not delete or discard any audit documentation prior to the end of the specified retention period. In addition, the auditor should maintain confidentiality, safe custody, integrity, accessibility and retrievability of the files, as well as ensure the proper retention of the engagement files for a period sufficient to meet the needs of the audit firm or as required by law or regulation, but would ordinarily be no less than 5 years from the report release date.	Table	Y	AU-C 230	

Audit Programs (AUDs)

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
AUD-101 Overall Audit Program					
Modify	Updated for Commercial changes and other text; updated GASB standards and other elements required.	Throughout			
Modify	Added Practice Alert: Practice Alert: The AICPA recently released AU-C Section 940 as part of SAS-130, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated with an Audit of Financial Statements</i> . Integrated audits are not specifically applicable to governmental entities. AU-C Section 940 supersedes Statement on Standards for Attestation Engagements No. 15 with the same title and the related Attestation Interpretation 1, which deals with	Purpose	Y	SAS-130	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>Federal Deposit Insurance Corporation Improvement Act audits, as well as various sections of the recodification of auditing standards. SAS-130 is effective for <i>integrated audits</i> for periods ending on or after December 15, 2016. Certain regulatory bodies, such as the federal deposit insurance corporation (FDIC), require the audit of an internal control over financial reporting (ICFR) and the audit of financial statements to be performed by the same auditor. Inherent difficulties exist when integrating the audit of ICFR and the audit of the financial statements to meet the requirements of this AU-C Section 940 when the audit of the financial statements is performed by a different auditor. Nonetheless, if the audit of the financial statements and the audit of ICFR are performed by different auditors, the audits are required by AU-C Section 940 to be integrated.</p> <p>For an integrated audit, the auditor may choose to issue a combined report (i.e., one report containing both an opinion on the entity’s financial statements and an opinion on internal control over financial reporting) or separate reports on the entity’s financial statements and on internal control over financial reporting.</p> <p>At the time of publication, it is unclear whether AU-C Section 940 will be applicable to governmental audits. Issuing a byproduct report for a government in accordance with <i>Government Auditing Standards</i> and the provisions of AU-C Section 940 may be misleading and inappropriate for the internal controls over compliance report required by <i>Government Auditing Standards</i>. Indeed, the General Accountability Office could develop a report to address the issue, but as of the date of publication, none has been developed.</p> <p>If significant deficiencies in ICFR are identified in such an audit and the auditor’s report refers to <i>Government Auditing Standards</i>, (which may occur in PCAOB engagements that are also required to be audited in accordance with <i>Government Auditing Standards</i>, those standards require the auditor to add the following other-matter paragraphs to the report:</p> <p>In accordance with <i>Government Auditing Standards</i>, we are required to report findings of significant deficiencies. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies [<i>Entity Name</i>]’s internal control described below [or in the accompanying schedule of</p>				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>findings] to be significant deficiencies.</p> <p>[<i>Entity Name</i>]'s response to the findings identified in our examination is described below [or in the accompanying schedule of findings]. We did not examine [<i>Entity Name</i>]'s response and, accordingly, we express no opinion on the response.</p> <p>When an other-matter paragraph relating to ICFR is included in a financial statement audit report, (likely not applicable for governments,) the auditor may include a heading above the other-matter paragraph such as "Report on Internal Control Over Financial Reporting."</p> <p>When an other-matter paragraph relating to the financial statement audit is included in an ICFR report, the auditor may include a heading above the other-matter paragraph such as "Report on the Financial Statements."</p> <p>The auditor may choose to issue a combined report (that is, one report containing both an opinion on the financial statements and an opinion on ICFR) or separate reports on the entity's financial statements and on ICFR.</p> <p>If the auditor issues a separate report on ICFR and expresses an adverse opinion on ICFR, additional disclosure in the report related to the effect of the adverse opinion on ICFR on the auditor's opinion on the financial statements may be combined with the standard report language.</p>				
Modify	<p>Preliminary Engagement Activities section, step 9, modified Practice Point, which now reads as follows:</p> <p>Practice Point: An engagement letter is not explicitly required for a recurring audit; however, it is considered best practice. Also, if the auditor concludes that the terms of the recurring audit need not be revised, the auditor should remind management of the terms of the engagement and the reminder should be documented. Some governments also wish to incorporate a contract between the auditor and the government by reference, lessening the perceived need for an engagement letter. This should be considered carefully as just incorporating a contract by reference may not take into account changes in audit standards or operations from year to year, which may be out of scope.</p>	Procedures steps	N		
New	<p>Risk Assessment Procedures: Obtaining an Understanding of the Entity and Its Environment section, added step 24 and substeps as follows:</p>	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>Obtain an understanding of the entity’s rational for significant or unusual transactions (especially those that are processed outside of normal operations) and whether that suggests the transactions may have been entered into to engage in fraudulent financial reporting on to conceal misappropriation of assets. In obtaining such an understanding, consider the following:</p> <ol style="list-style-type: none"> a. Whether the structure of such transactions is unnecessarily complex (e.g. involving multiple funds, component units, related organizations or unrelated third parties). b. Whether management has informed those charged with governance about the nature of and accounting for such transactions. c. Whether management is emphasizing the need for a particular accounting treatment over the underlying transaction. d. Whether those charged with governance have reviewed and approved transactions that involve multiple funds, component units, related organizations or unrelated third parties. e. Whether the transactions involve previously unidentified related parties or parties that are unable to support the transactions without assistance from the entity being audited. 				
Modify	<p>Risk Assessment Procedures: Obtaining an Understanding of the Entity and Its Environment section, modified step 25 which now reads as follows:</p> <p>Make required fraud and noncompliance with laws and regulations inquiries of those charged with governance, the internal audit function, and others within the entity (e.g., operating personnel not involved in the financial reporting process and employees with different levels of authority considered to have information that is likely to assist in identifying risks of material misstatement.</p> <p>Modified the Practice Point below step 25, adding new item f as follows:</p> <p>Practice Point: Consider inquiring of:</p> <ul style="list-style-type: none"> • Those charged with governance regarding the environment in 	Procedures steps	N		Due to the changes in this step it will reset on Roll Forward.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>which the financial statements are prepared, including changes in that environment;</p> <ul style="list-style-type: none"> • Internal audit personnel regarding procedures performed relating to internal controls; • Employees involved in initiating, processing, or recording complex or unusual transactions regarding the application of accounting policies; • In-house legal counsel regarding litigation, compliance, fraud, and potential liabilities and commitments; and • Management regarding fraud risk factors, risk assessment processes and procedures, and related activities. • Existence of continuing disclosure agreements related to bond transactions and whether the transactions are under review by regulatory entities such as the Securities and Exchange Commission. 				
New	<p>Risk Assessment Procedures: Obtaining an Understanding of the Entity and Its Environment added new substep b to item 32, as follows:</p> <p>Inquire of management about the existence of any not-for-profit organizations where the government is the sole-corporate member, as defined in state statute, articles of organization or bylaws.</p>	Procedures steps	N		
New	<p>Risk Assessment Procedures: Evaluating the Design of Internal Controls, added step 45 and substeps as follows:</p> <p>Evaluate whether the entity’s controls sufficiently address identified risks of material misstatement due to fraud and controls intended to address the risk of management override of other controls, including:</p> <ol style="list-style-type: none"> a. Controls over significant, unusual transactions, particularly those that result in late or unusual journal entries; b. Controls over journal entries and adjustments made in the period-end financial reporting process; c. Controls over component unit and similar related party transactions, especially in the shifting of revenues, expenses / expenditures and debts; d. Controls related to significant management estimates; and 	Procedures steps	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<ul style="list-style-type: none"> e. Controls that mitigate incentives for, and pressures on, management to falsify or inappropriately manage financial results. 				
Modify	<p>Designing Audit Procedures in Response to Assessed Risks section, modified step 56 and substeps;</p> <p>Design further audit procedures to respond to the assessed risks of material misstatement at the relevant assertion level, including the risks of management override of internal controls, providing a clear link between the nature, timing, and extent of audit procedures and the risk assessments due to fraud or error. The procedures must address all relevant assertions related to each significant account balance, class of transactions, and disclosure, as well as the financial statement closing process. Procedures may include:</p> <ul style="list-style-type: none"> a. Obtaining additional corroborative evidence from independent sources outside the entity or physically inspecting certain assets; b. Performing substantive tests closer to or at year-end; c. Increasing sample sizes or using computer-assisted audit techniques. d. Performing substantive analytical procedures using disaggregated data, for example, comparing gross profit by location, by line of business, or by month to expectations developed by the auditor; e. Performing procedures at locations on a surprise or unannounced basis; f. Making oral inquiries of major taxpayers / ratepayers and contractors in addition to sending written confirmations; g. Interviewing personnel involved in activities in areas where fraud risk has been identified to obtain their insights about the risk and how controls address the risk; h. If other auditors are auditing financial the statements of other components (for example 	Procedures steps	N		Due to the changes in this step it will reset on Roll Forward.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	component units and separately audited entities within the reporting entity) and discussing with them the extent of work that needs to be performed to address the fraud risk resulting from transactions and activities among these components.				
AUD-201 Opening Balances and Additional Audit Procedures for an Initial Audit Engagement					
Modify	Updated for GASB-70, 73-82.	Procedure steps	Y	GASB-70, 73-82	
New	Under Successor/Predecessor Auditor Communications, step 7, added substep c as follows: c. Inquired about the existence of irrevocable split-interest agreements of which the government entity is the intermediary and is the remainder interest beneficiary, or is the lead interest beneficiary, or is party to a life-interest in real estate, or where a third-party is the intermediary.	Procedure steps			
Modify	Modified step 7 substep l, adding sub-substeps, as follows: Reviewed documents pertaining to any defined benefit pension or OPEB plan and documented information transferred from plans that adjusted beginning balances upon the implementation of GASB Statement No. 68, (or upon the implementation of GASB Statement No. 73, 75 or 78) as well as adjustments made due to contributions occurring after the employer's prior measurement date to the date of the prior financial statements (deferred outflows of resources declared pursuant to GASB Statement No. 71 or GASB Statement No. 75). 1. If the employees of the government are members of a cost-sharing multiple-employer defined benefit plan (pension or OPEB,) that is (1) not a state or local governmental plan, (2) used to provide defined benefit pensions (or OPEB) to both the employees and nongovernmental employees and (3) the plan has no predominant state or local governmental employer, we have documented the existence of the relationship with a so-	Procedure steps	Y	GASB-70, 73-82; IRC Section 414(h)(2)	Due to the changes of this step, 7(l), the step will reset on Roll Forward.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>called Taft-Hartley plan in accordance with the provisions of GASB Statement No. 78.</p> <p>2. If the employees of the government have contributions to defined benefit plans paid by the employer, we have documented information as to the existence of such payments as either salary expense or other than salary expense in accordance with the provisions of GASB Statement No. 82.</p> <p>1) If other than salary expense, we have inquired about the existence of a resolution or law in accordance with the provisions of Internal Revenue Code Section 414(h)(2) (so-called 'pick-ups.').</p>				
New	<p>Step 7, added substep n as follows: Reviewed documentation or confirmed with the entity the existence of any nonexchange financial guarantees of which either the government is required to repay a guarantor or the government is making a payment on a guaranteed obligation or legally assuming the guaranteed obligation in accordance with provisions of GASB Statement No. 70.</p>	Procedures steps	Y	GASB-70	
Modify	<p>Step 7, added substep o and sub-substeps as follows: Reviewed documentation or confirmed with the entity the existence of tax abatements where the entity initiated its own tax abatement agreements or is party to those that are entered into by other governments that reduce the reporting government's tax revenues. Related to this information, we received information about individuals or entities receiving abatements in prior years that have promised to take specific actions in the current year (or future years,) that contribute to economic development or otherwise benefit the entity or the citizens of the entity in accordance with GASB Statement No. 77.</p> <p>(1) If any tax abatement made in previous years are subject to recapturing of abated taxes, we received the status of such recapture.</p> <p>(2) If the government entity has made commitments related to tax abatement agreements, we received</p>	Procedures steps	Y	GASB-77	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	information on such commitments that effect the current year or future years. (3) If tax abatement agreements are legally prohibited from being disclosed, we have documented the specific source of the legal prohibition.				
New	Added steps 11 and 12: We reviewed the predecessor auditor’s documentation of the presence of a group engagement. We reviewed the predecessor auditor’s audit documentation with regard to the existence of blended component units, discretely presented component units and component units that are incorporated as not-for-profit corporations in which the primary government is the sole corporate member in accordance with provisions of GASB Statement No. 80.	Procedures steps	Y	GASB-80	
AUD-601 Audit Program: Testing and Evaluating Internal Auditors’ Work					
Modify	Updated for Commercial changes and other text edits; deleted outdated SAS-128 Practice Alert.	Text	N		
AUD-602 Audit Program: Involvement of a Component Auditor					
Modify	Minor modifications for consistency with the Commercial Title; updated references; deleted Practice Point.	Text	N		
Modify	Added a “Not Applicable” option to question 9, “If the component prepares financial statements using a different financial reporting framework than that used by the group, we have evaluated following:”	Floatie option			This question will retain on roll forward if the workpaper is set to keep all responses on roll forward.
Modify	Modified instructions; now reads as follows: This audit program should be used when the auditor plans to involve another office of the firm, correspondent, affiliate, or independent auditor to audit the financial statements and, if applicable, internal control over financial reporting of one or more subsidiaries, divisions, branches, components, or investments included in the financial statements. The auditor may use <i>AID-603 Component Identification and Analysis</i> , to identify, assess significance of, and document all the components included in the group.	Instructions	Y	AU-C Section 940	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>This audit program contemplates that (1) the group engagement team will establish an overall group audit strategy and develop a group audit plan(s), and (2) the group engagement partner is responsible for reviewing the overall group audit strategy and group audit plan(s), including the direction, supervision, and performance of the group audit engagement(s) in compliance with professional standards and applicable legal and regulatory requirements. For more information about group audits, refer to AU-C Section 600, <i>Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)</i> and, for integrated audits, AU-C Section 940, <i>An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements</i>, which is effective for integrated audits for periods ending on or after December 15, 2016.</p> <p>If the decision is made to assume responsibility for the work of a component auditor, no reference is made to the component auditor’s work or report. If the decision is made to not assume that responsibility, the report should reference the audit of the component auditor and should indicate clearly the division of responsibility between the auditor of group financial statements and the component auditor in expressing an opinion on the group financial statements. Regardless of the decision reached, the component auditor remains responsible for the performance of his or her own work and for his or her own report(s).</p>				
AUD-603 Audit Program: Using the Work of an Auditor’s Specialist					
Modify	<p>Added Practice Point:</p> <p>Practice Point: An auditor’s specialist includes either an auditor’s internal specialist (who is a partner or staff, including temporary staff, of the auditor’s firm or a network firm) or an auditor’s external specialist.</p>	Instructions	N		
AUD-800 Audit Program: Custom through AUD-823 Audit Program: Concentrations					
Modify	<p>Minor wording modifications in text and Practice Points (clarity); audit program step headings added throughout; additional references added (to other tools) where applicable.</p>	Text	N		

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
AUD-801 Audit Program: Cash					
Modify	Step (4) modified: For accounts selected for testing, we obtained electronic bank confirmations or requested that the entity prepare bank confirmation forms for bank/custodian accounts used during the period under audit (see the sample confirmation request at <i>COR-802 Standard Form to Confirm Account Balance Information with Financial Institutions</i>). When not performed electronically, we maintained control of the bank confirmation forms and mailed the forms directly to the bank/custodian.	Procedures step	N		This step will retain on Roll Forward.
AUD-802 Audit Program: Investments and Investment-Related Activities					
Modify	Updated Primary Audit Objectives table, item C: Investments are properly valued in accordance with GASB Statement Nos. 3, 31, 59 or 72) and gain or loss in value is promptly identified and provided for.	Table	Y	GASB	
Modify	Section II, Linking Risks to Further Audit Procedures, added new Practice Point (& Table listing lower and higher valuation risks): Practice Point: The AICPA Audit and Accounting Guide, <i>State and Local Governments</i> places an emphasis on disaggregating an entity's investment portfolio into groups based on common risk profiles by considering a combination of the following factors (in addition to other factors which may be applicable): <ul style="list-style-type: none"> Type of investment (for example, exchange-traded securities, investment grade corporate debt, high yield or non-investment grade corporate debt, or structured debt securities); Management's method of estimating fair value (for example, third-party pricing source, broker quote, external valuation firm, or internal model); and Recent levels of market activity. The AICPA cautions that risk should be considered both qualitatively and quantitatively when identifying material classes of transactions, account balances, and disclosures. The determination whether there are multiple material classes of transactions, account balances, and disclosures is dependent upon whether they are subject to differing risks. The disaggregation of an investment portfolio based on varying levels of risk affects the	Text	Y	AAG	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>auditor's assessment of the risk of material misstatement because different types of investments within the portfolio may have differing levels of risk. The considerations for determining significant risks at material classes of transactions, account balances, and disclosures due to fraud or error include availability of reliable market information, the level of subjectivity involved in the valuation, and other factors. In addition, the individual investments within the portfolio may have different valuation process controls in place that will affect the overall control risk assessment.</p> <p>An auditor (valuation) specialist may be useful in the decisions related to disaggregation of material classes of transactions, account balances, and disclosures or to provide insight into the risk level of the disaggregated investments, including</p> <ul style="list-style-type: none"> • Assisting with obtaining an understanding of the portfolio through meetings with management, portfolio managers, traders, and the like; identifying and documenting key risks; and • Reviewing the entity's investment portfolio to assist in disaggregating the population into appropriate classes of investments based on risks, and documenting conclusions. <p>The AICPA provides the following table as a <i>simplified example</i> of disaggregating the classes of securities within an investment portfolio based on valuation risk. Auditors are cautioned from disaggregating the investment portfolio solely by common name (for example, non-investment grade corporate debt) and rather, consider the individual characteristics of investments when disaggregating the portfolio. Auditors are reminded that less active markets are more likely to result in significant unobservable inputs:</p> <p>[Table Inserted]</p>				
Modify	<p>Modified step 5 Practice Point:</p> <p>Practice Point: GASB Statement No. 79, <i>Certain External Investment Pools and Pool Participants</i>, allows external investment pools that meet certain criteria to report to participants in the pool their shares in the pool at amortized cost. Otherwise, the shares are reported at fair value. Each pool will have to comply with transaction, underlying investment maturity, ratings, diversification, and liquidity provisions in addition to publishing a shadow price per share of the fair value of the underlying securities in comparison to a stable \$1 value. It is up to the administrator of the pool to comply with the provisions.</p>	Procedures table	Y	GASB 79	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
Modify	<p>Under Audit Procedures for Tests of Valuations, modified step 48.h.:</p> <p>In situations requiring considerable judgment, we considered the guidance in AU-C Section 540, <i>Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures</i>, on obtaining and evaluating sufficient appropriate audit evidence to support significant accounting estimates and AU-C Section 620 on the use of the work of a specialist in performing substantive procedures. To do so, we used AUD-815 Audit Program: Fair Value Measurements and Disclosures to properly document further audit procedures to respond to the assessed risks of material misstatement at the financial statement level and the assertion level pertaining to fair value measurements and disclosures.</p>	Procedures table	Y	AU-C 540; AU-C 620	Due to the changes in this step it will reset on Roll Forward.
AUD-803 Audit Program: Exchange Revenues and Receivables					
Modify	<p>Added new step 8, under new heading, as follows:</p> <p>AR Not Confirmed</p> <p>If, in accordance with AU-C 505, <i>External Confirmations</i>, if we determined that confirmation of receivables is not necessary, we documented our acceptable reason for not confirming receivables.</p>	Procedures steps	Y	AU-C 505; Peer Review Checklist G224	
AUD-804 Audit Program: Nonexchange Revenues and Receivables					
Modify	<p>Updated for GASB-77.</p> <p>Added Practice Alert:</p> <p>Practice Alert: GASB Statement No. 77, <i>Tax Abatement Disclosures</i>, requires governments that enter into tax abatement agreements disclose the following information about the agreements:</p> <ul style="list-style-type: none"> • Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients; • The gross dollar amount of taxes abated during the period; and • Commitments made by a government, other than to 	Text	Y	GASB-77	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>abate taxes, as part of a tax abatement agreement.</p> <p>Governments will organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.</p> <p>Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. For those tax abatements, a reporting government should disclose the following:</p> <ul style="list-style-type: none"> • The names of the governments that entered into the agreements; • The specific taxes being abated; and • The gross dollar amount of taxes abated during the period. <p>If commitments from the government to the organization benefitting from the abatement agreement are present, best practice may be to have the abatement disclosure contained in the note disclosure relating to commitments and contingencies. Otherwise, the disclosure may be presented with tax information. GASB Statement No. 77 does not specify a location of the placement of the disclosure within the notes to the basic financial statements.</p>				
Modify	<p>Under Receivables Aging Testing, step 4, deleted outdated Practice Alert and modified substep g, which now reads as follows:</p> <p>We reviewed abatements, exonerations, refunds, and similar credits for proper approval and authorization, including those made by a different level of government and required to be paid by the reporting government.</p>	Procedures steps	Y	GASB-77	
Modify	<p>Under Receivables Aging Testing, step 4, added substep g, h and sub-substeps:</p> <p>Related to tax abatements as defined by GASB-77, paragraph 4, we have:</p> <ol style="list-style-type: none"> (1) We reviewed abatements, exonerations, refunds, and similar credits for proper approval and authorization, including those made by a different level of government and required to be paid by the reporting government. (2) Related to tax abatements as defined by GASB-77, paragraph 4, we have: 	Procedures steps	Y	GASB-77	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<ul style="list-style-type: none"> a. Received tax abatement disclosure information distinguished between tax abatement agreements that are entered into by the reporting government and those that are entered into by other governments and that reduce the reporting government’s revenues. b. The disclosure information contains: the names (if applicable) and purposes of the tax abatement programs, the specific taxes being abated, the authority under which the tax abatement agreements are entered into, the criteria that make a recipient eligible to receive a tax abatement, the mechanism by which taxes are abated including a reduction of assessed value, a specific dollar amount or percentage of taxes owed, provisions for recapturing abated taxes and conditions for recapture and the types of commitments made by recipients of tax abatements. c. For each abatement, we received the gross dollar amount on an accrual basis that tax revenues were reduced during the reporting period due to the abatements. d. If amounts were received or are a receivable from other governments in association with foregone tax revenue, we have received a workpaper detailing the names of the governments, the authority under which the amounts were or will be paid and the dollar amount received or receivable from other governments. e. If the government made commitments other than to reduce taxes as part of a tax abatement agreement, we have inquired and documented the types of commitments made and the most significant commitments made. f. If the government discloses individual tax abatements subject to a threshold, we have determined the quantitative threshold used is reasonable. 				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	g. If the government omits specific information required by GASB-77 because the information is legally prohibited to be disclosed, we have documented the nature of the tax abatement information omitted and traced the specific source of the legal prohibition.				
Modify	Added step 8 under new heading: AR Not Confirmed If, in accordance with AU-C 505, <i>External Confirmations</i> , if we determined that confirmation of receivables is not necessary, we documented our acceptable reason for not confirming receivables.	Procedures steps	Y	AU-C 505; Peer Review Checklist A224	
Modify	Under Allowance for Uncollectible Accounts, modified step 14: We tested the adequacy of the allowance for uncollectible accounts related to nonexchange revenues, as follows (see <i>AUD-820 Audit Program: Accounting Estimates</i> for audit procedures to be performed on significant estimates and the illustrative allowance for uncollectible receivables analysis at <i>AID-814 Allowance for Uncollectible Accounts Analysis</i>):	Procedures steps	N		
AUD-806 Audit Program: Prepaid Expenses and Other Assets or Deferred Outflows of Resources					
Modify	Added practice alert related to proposed DOR. Practice Alert: GASB has proposed an additional deferred outflow of resources as part of an exposure draft <i>Omnibus 201X</i> . Amounts reported as goodwill resulting from acquisitions prior to the effective date of GASB Statement No. 69, <i>Government Combinations and Disposals of Government Operations</i> would be reclassified to deferred outflows of resources, if the exposure draft is approved as drafted and upon implementation for reporting periods beginning after June 15, 2017.	Purpose	Y	ED; GASB-69	
AUD-809 Audit Program: Payroll, Pensions, Other Liabilities, and Deferred Inflows of Resources					
Modify	Update for further pension / OPEB guidance. Deleted outdated Practice Alert on ASU 2015-04. Modified the following Practice Alert: Practice Alert: The AICPA Audit and Accounting Guide, <i>State and Local Governments</i> , contains extensive information on the accounting and auditing considerations of plans and employers	Purpose	Y	OPEB	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>under GASB Statement No. 68, <i>Accounting and Financial Reporting for Pensions—An Amendment of GASB-27</i> as well as amendments to its date of publication. The procedures in this workpaper have been updated to reflect this guidance. Subsequent to that issuance, the AICPA State and Local Government Expert Panel has released nonauthoritative alerts on emerging pension issues.</p> <p>The GASB has also released GASB Statement No. 78, specifically targeted at governments that are members of multiple-employer plans that are not administered by a government (also known as Taft-Hartley Plans—common in transportation entities.) Both address some but not all of the AICPA’s emerging pension issues.</p> <p>The GASB has released Statement No. 73 amending certain provisions of GASB Statement Nos. 67 and 68 as well as providing for the accounting and financial reporting for pensions where an irrevocable trust or similar instrument is not used. GASB-73 is effective for periods beginning after June 15, 2015 with respect to amendments to GASB Statement Nos. 67 and 68, as well as for assets held for the purpose of providing pension payments in a situation that does NOT meet the criteria for GASB Statement Nos. 67 and 68. Otherwise, the provisions are applicable for periods beginning after June 15, 2016.</p> <p>Finally, the GASB has also released Statement Nos. 74 and 75, superseding the current OPEB standards, primarily aligning them to the provisions of GASB Statement Nos. 67, 68, 71, and 73. Statement No. 74 for OPEB plans is effective for periods beginning after June 15, 2016 and Statement No. 75 for OPEB employers is effective for periods beginning after June 15, 2017. Many of the provisions of pensions that relate to Statement Nos. 67, 68, 71, and 73 are similar to the provisions of Statement Nos. 74 and 75.</p> <p>The <i>Governmental GAAP Guide</i> (chapter 13 for employers and chapter 22 for plans) has complete coverage of the many changes in postemployment benefit accounting and financial reporting. <i>Knowledge-Based Audits of State and Local Governments with Single Audits</i>, Chapter 9, also contains information on auditing defined benefit plans as well as employers participating in defined benefit plans.</p>				
Modify	<p>Under Payroll and Payroll Taxes Testing, added Practice Alert to step 2.i.:</p> <p>Practice Alert: See additional procedures herein on the existence of “pick-ups” where the employer pays a portion (or all) of an employee’s contribution to a postemployment</p>	Procedures steps	Y	GASB-82	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	benefit plan (GASB-82, Internal Revenue Code Section 414(h)(2) and proposed GASB Omnibus 201X).				
Modify	<p>Under Postemployment Benefits (Benefits (Including Defined Contribution Plans and Defined Pension Plans), modified Practice Points; step 13, sub-substeps g.(6) and (7) modified:</p> <p>We evaluated whether the actuary appears to have the proper professional qualifications and credentials, in accordance with AU-C Section 500, <i>Audit Evidence</i>, and evaluated whether the relationships between the actuary and the entity would impair independence.</p> <p>We compared key plan provisions included in the actuarial valuation report to the latest plan document and inquired about any recent plan amendments.</p>	Procedures steps	Y	GASB-68, 73	Due to the changes in these steps they will reset on Roll Forward.
Modify	<p>Under Postemployment Benefits, step 17, substep b., modified and now reads as follows:</p> <p>We ascertained that the postemployment benefits are accrued in accordance with the applicable financial reporting framework.</p>	Procedures steps	N		Due to the changes in this step it will reset on Roll Forward.
Deleted	<p>Under Postemployment Benefits, step 17, substep f., deleted:</p> <p>We evaluated whether management properly disclosed postemployment benefit policies relating to key management personnel, as well as any contingent liabilities relating to postemployment benefits.</p>	Procedures steps			
Modify	<p>The former “Deferred Income and Deferred Credits” heading modified to read “Deferred Inflows of Resources”</p> <p>Step 19 substep d and 2 new Practice Points added, as follows:</p> <p>We gained assurance that deferred inflows of resources were only declared when allowed by GASB standards.</p> <p>Practice Point: In accordance with the provisions of primarily GASB Statement No. 65, <i>Items Previously Reported as Assets and Liabilities</i>, deferred outflows of resources could occur in the following transactions:</p>	Procedures steps	Y	GASB 65; 75; 81; GASB-69	

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

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>that type of revenue are met. Instead, the transferee government should report the amount paid as a deferred outflow of resources to be recognized over the duration of the sale agreement. The transferor government should report the amount received from the intra-entity sale as a deferred inflow of resources in its government-wide and fund financial statements and recognize the amount as revenue over the duration of the sale agreement.</p> <ul style="list-style-type: none"> • The gain or loss on the sale of property that is accompanied by a leaseback of all or any part of the property for all or part of its remaining economic life should be recorded as a deferred inflow of resources or a deferred outflow of resources, respectively, and recognized in a systematic and rational manner over the lease term in proportion to the recognition of the leased asset, if a capital lease, or in proportion to the related gross rental charged to expense/expenditure over the lease term, if an operating lease, subject to certain exceptions. • With regard to mortgages, if the loan is held for sale, origination fees, including any portion related to points, and direct loan origination costs should be recorded as a deferred inflow of resources and a deferred outflow of resources, respectively, until the related loan is sold. Once the related loan is sold, the amount reported as a deferred inflow of resources related to the loan origination fees, including any portion related to points, and the amount reported as a deferred outflow of resources related to the direct loan origination costs should be recognized as revenue and expense, respectively, in the period of sale. Fees paid to permanent investors to ensure the ultimate sale of the loans (residential or commercial loan commitment fees) should be recognized as an expense in the period when the loans are sold to permanent investors or when it becomes evident the commitment will not be used. Prior to the sale of the loans, the fees paid to permanent investors should be recorded as a deferred outflow of resources until the sale of the loan occurs. • With regard to defined benefit pensions (and OPEB upon implementation of GASB Statement No. 75, <i>Accounting and Financial Reporting for Postemployment Benefits Other than Pensions</i>, the following are reported as deferred outflows of 				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>resources or deferred inflows of resources (depending upon the type of event):</p> <ul style="list-style-type: none"> ○ Differences between expected and actual experience with regard to economic or demographic factors (differences between expected and actual experience) in the measurement of the total pension (or OPEB) liability, as well as changes of assumptions about future economic or demographic factors or of other inputs (changes of assumptions or other inputs) that are attributable to current employees are reported as either deferred outflows of resources or deferred inflows of resources and amortized systematically and rationally over the remaining service lives of effected employees. ○ Differences between projected and actual earnings on investments are also recognized as deferred outflows of resources or deferred inflows of resources and amortized over a closed five year period to pension expense. ○ Contributions to the pension (or OPEB) plan from the employer subsequent to the measurement date of the net pension liability and before the end of the reporting period should be reported as a deferred outflow of resources. <p>GASB Statement No. 81, <i>Irrevocable Split-Interest Agreements</i> also contains potential situations for deferred inflows of resources: (1) When a government is an intermediary and a remainder interest beneficiary, a deferred inflow of resources is the unconditional remainder interest. (2) When a government is an intermediary and a lead interest beneficiary, a deferred inflow of resources is also the government's unconditional remainder interest. And (3) when a government holds a life-interest in real estate, a deferred inflow of resources is the amount of the difference between the asset and any liability related to the real estate.</p> <p>Other forthcoming standards may have components or elements that are deferred outflows of resources. Only the GASB can name what is a deferred outflow of resources, not the entity.</p> <p>Practice Alert: GASB has proposed an additional deferred outflow of resources as part of an exposure draft <i>Omnibus 201X</i>.</p>				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	Amounts reported as goodwill resulting from acquisitions prior to the effective date of GASB Statement No. 69, <i>Government Combinations and Disposals of Government Operations</i> would be reclassified to deferred outflows of resources, if the exposure draft is approved as drafted and upon implementation for reporting periods beginning after June 15, 2017.				
Modify	<p>Added heading “Claims Incurred But Not Reported (IBNR)” and step 25:</p> <p>We considered the existence of claims incurred but not reported (IBNR) and evaluated whether they were properly accounted for at the balance sheet date.</p>	Procedures steps	N		
AUD-810 Audit Program: Long-Term Debt and Debt Service					
Modify	<p>Updated for SEC issues, private placement debt, debt defeasances.</p> <p>Added Practice Alerts:</p> <p>Practice Alert: The Securities and Exchange Commission recently charged 71 municipal issuers that sold bonds between 2011 and 2014 using offering documents that contained materially false statements or omissions about their compliance with continuing disclosure obligations. The parties settled the actions without admitting or denying the findings and agreed to cease and desist from future violations. Pursuant to the terms of the initiative, they also agreed to undertake to establish appropriate policies, procedures, and training regarding continuing disclosure obligations; comply with existing continuing disclosure undertakings, including updating past delinquent filings, disclose the settlement in future offering documents, and cooperate with any subsequent investigations by the SEC. This is an important area of compliance testing that should be documented (See step 20).</p> <p>Practice Alert: The GASB is finalizing a project reviewing debt disclosures, including private placement debts. Practitioners should document the existence of private placement debt as usually such debt is cross-collateralized with more traditional forms of debt, yet has minimal disclosure. Should such debt default, all cross-collateralized debt would default at the same time. Also, many such issuances do not have an official statement. Inquiry should be made as to whether or not the government has any such debt issued or outstanding.</p>	Procedures steps	Y	SEC; GASB	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>Practice Alert: The GASB has proposed similar provisions for cash defeasances where operating funds are held in escrow to retire debt either on a current basis or in an advance refunding. Should the exposure draft <i>Certain Debt Extinguishment Issues</i> be approved as proposed, the requirements would be effective for periods beginning after June 15, 2017.</p>				
AUD-811 Audit Program: Net Position and Fund Balance					
Modify	<p>Added new step 4 under the following heading; also new Practice Point: Government Combinations and Disposals of Assets For government combinations and disposals of government assets, we verified that the transaction met the requirements to be accounted for as a government merger, government acquisition, or transfer of operations and verified that the accounting was appropriate in accordance with the applicable financial reporting framework.</p> <p>Practice Alert: GASB has proposed an additional deferred outflow of resources as part of an exposure draft <i>Omnibus 201X</i>. Amounts reported as goodwill resulting from acquisitions prior to the effective date of GASB Statement No. 69, <i>Government Combinations and Disposals of Government Operations</i> would be reclassified to deferred outflows of resources, if the exposure draft is approved as drafted and upon implementation for reporting periods beginning after June 15, 2017.</p>	Procedures steps	Y	GASB-69; Peer Reviewer Checklist	
AUD-815 Audit Program: Fair Value Measurements and Disclosures					
Modify	<p>Updated for GASB-72 and AICPA SLAG changes. Deleted outdated Practice Alert on ASU 2016-01. Added new Practice Point (and table for Lower/Higher Valuation Risks):</p> <p>Practice Point: The AICPA Audit and Accounting Guide, <i>State and Local Governments</i> places an emphasis on disaggregating an entity's investment portfolio into groups based on common risk profiles by considering a combination of the following factors (in addition to other factors which may be applicable):</p> <ul style="list-style-type: none"> Type of investment (for example, exchange-traded securities, investment grade corporate debt, high yield or non-investment grade corporate debt, or structured debt) 	Instructions	Y	AICPA SLG AG; GASB-72	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>securities);</p> <ul style="list-style-type: none"> • Management's method of estimating fair value (for example, third-party pricing source, broker quote, external valuation firm, or internal model); and • Recent levels of market activity. <p>The AICPA cautions that risk should be considered both qualitatively and quantitatively when identifying material classes of transactions, account balances, and disclosures. The determination whether there are multiple material classes of transactions, account balances, and disclosures is dependent upon whether they are subject to differing risks. The disaggregation of an investment portfolio based on varying levels of risk affects the auditor's assessment of the risk of material misstatement because different types of investments within the portfolio may have differing levels of risk. The considerations for determining significant risks at material classes of transactions, account balances, and disclosures due to fraud or error include availability of reliable market information, the level of subjectivity involved in the valuation, and other factors. In addition, the individual investments within the portfolio may have different valuation process controls in place that will affect the overall control risk assessment.</p> <p>An auditor (valuation) specialist may be useful in the decisions related to disaggregation of material classes of transactions, account balances, and disclosures or to provide insight into the risk level of the disaggregated investments, including:</p> <ul style="list-style-type: none"> • Assisting with obtaining an understanding of the portfolio through meetings with management, portfolio managers, traders, and the like; identifying and documenting key risks; and • Reviewing the entity's investment portfolio to assist in disaggregating the population into appropriate classes of investments based on risks, and documenting conclusions <p>The AICPA provides the following table as a <i>simplified example</i> of disaggregating the classes of securities within an investment portfolio based on valuation risk. Auditors are cautioned from disaggregating the investment portfolio solely by common name (for example, non-investment grade corporate debt) and rather, consider the individual characteristics of investments when disaggregating the portfolio. Auditors are reminded that less active markets are more likely to result in significant unobservable inputs:</p> <p>[Table Inserted]</p>				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
Modify	<p>Under “Different Measurement Date” added:</p> <p>Practice Point: The AICPA Audit and Accounting Guide <i>State and Local Governments</i> requires auditors to consider additional procedures with regard to the valuation assertion and alternative investments. The higher the assessed risk of material misstatement, the greater the need for the auditor to utilize a combination of approaches. This is especially true with a different measurement date. Those approaches include, but are not limited to: (1) confirming the alternative investment, (2) review and test the investor entity’s significant assumptions and the underlying data in its valuation analysis of the assumptions and data obtained from the fund manager, (3) reconcile to audited financial statements as of the same date, and (4) review transactions at or near the date of the statement of financial position. If management estimates the fair value of a significant portion of its alternative investments as of an interim date, management will need a robust process and strong internal control over the roll-forward period to the date of the statement of financial position. Because the valuation assertion embedded in the financial statements is as of the date of the statement of financial position, management needs to have the ability to obtain sufficient information to record the investments at estimated fair value as of the date of the statement of financial position, including changes in the estimated fair value during the roll-forward period. In this situation, the auditor may test both the estimation process as of the interim date and the roll-forward process.</p>	Procedures steps	Y	AICPA SLG AG	
AUD-818 Audit Program: Derivative Instruments					
Modify	<p>Modified Primary Audit Objectives Table item B, which now reads as follows:</p> <p>Derivative instruments are recognized in the statement of net position as either assets or liabilities depending on the rights or obligations under the contracts. Deferred inflows and outflows of resources are also reported as a result of those rights and obligations.</p>	Text	N		
Modify	<p>Under Presentation and Disclosure of Derivatives, step 15 added Practice Point, as follows:</p>	Procedures steps	Y	GASB <i>Implementation Guide;</i> AAG SL	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>Practice Point: Hedge accounting should cease to be applied upon the occurrence of one or more of the following termination events:</p> <p>(a) The hedging derivative instrument is no longer effective;</p> <p>(b) The likelihood that a hedged expected transaction is no longer probable;</p> <p>(c) The hedged asset or liability, such as a hedged financing, is sold or retired but not reported as a current refunding or advance refunding resulting in a defeasance of debt;</p> <p>(d) The hedging derivative instrument is terminated unless an effective hedging relationship continues, which would occur when all the following are met:</p> <p>(i) Collectability of swap payments is considered probable;</p> <p>(ii) The swap counterparty of the interest rate swap or commodity swap, or the swap counterparty's credit support provider, is replaced with an assignment or in-substance assignment;</p> <p>(iii) The government enters into the assignment or in-substance assignment in response to the swap counterparty, or the swap counterparty's credit support provider, either committing or experiencing an act of default or a termination event as both are described in the swap agreement; and</p> <p>(iv) The swap is assigned.</p> <p>(e) A current refunding or advance refunding resulting in the defeasance of the hedged debt is executed.</p> <p>(f) The hedged expected transaction occurs, releasing the deferral account and reporting the flow as part of investment revenue.</p> <p>These steps are detailed in the GASB <i>Implementation Guide</i> questions 10.15.1-10.15.9 and in the AICPA Audit and Accounting Guide <i>State and Local Governments</i> 5.117-5.119.</p>				
AUD-821 Audit Program: Commitments and Contingencies					
Modify	<p>Updated for GASB-77 and other minor changes. Added:</p> <p>Practice Alert: GASB Statement No. 77, <i>Tax Abatement Disclosures</i> requires governments that enter into tax abatement agreements disclose the following information about the agreements:</p> <ul style="list-style-type: none"> Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxed, 	Procedures steps	Y	GASB-77	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>and the types of commitments made by tax abatement recipients;</p> <ul style="list-style-type: none"> • The gross dollar amount of taxes abated during the period; and • Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement. <p>Governments will organize those disclosures by major tax abatement program and may disclose information for individual tax abatement agreements within those programs.</p> <p>Tax abatement agreements of other governments should be organized by the government that entered into the tax abatement agreement and the specific tax being abated. For those tax abatements, a reporting government should disclose the following:</p> <ul style="list-style-type: none"> • The names of the governments that entered into the agreements; • The specific taxes being abated; and • The gross dollar amount of taxes abated during the period. <p>If commitments from the government to the organization benefitting from the abatement agreement are present, best practice may be to have the abatement disclosure contained in the note disclosure relating to commitments and contingencies. Otherwise, the disclosure may be presented with tax information. GASB Statement No. 77 does not specify a location of the placement of the disclosure within the notes to the basic financial statements.</p> <p><i>See AUD-804 Audit Program: Nonexchange Revenues and Receivables</i> for further information on tax abatement disclosures.</p>				
Modify	<p>Under Environmental Remediation Liabilities, modified step 14 and substeps (for consistency with the Commercial Title):</p> <p>We inquired of management about the existence of or potential for environmental remediation liabilities, including the following:</p> <ol style="list-style-type: none"> a. Whether the entity has policies and procedures in place to help identify environmental remediation liabilities. b. Whether the entity is aware of any potential environmental hazards on its site and what steps 	Procedures steps	N		Modified steps b, c, d and e will retain on Roll Forward.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	<p>management has taken to minimize the entity’s exposure for environmental remediation liabilities.</p> <p>c. Whether the entity is required to have a permit to transport, treat, store, or dispose of any potential environmental hazards.</p> <p>d. Whether the entity generates any potential environmental hazards or “regulated substances” in its operations and how it disposes of these substances.</p> <p>e. Whether the entity ever used landfills, underground storage tanks, or barrels to dispose of hazardous wastes any potential environmental hazards and how management tests and monitors for leakage.</p> <p>f. Whether the entity has undergone any cleanup activities on its premises (e.g., tank or pump removal, removal of contaminated soil, installation of new tanks or pumps).</p> <p>Added (m. and n.):</p> <p>How management monitors claims and assessments, and then estimates its liability for environmental remediation liabilities.</p> <p>How management accounts for the costs of environmental remediation efforts.</p>				
Modify	<p>Under “Management Not Consulted Legal Counsel,” modified step 21, as follows:</p> <p>1. If the client had not consulted legal counsel during the period under audit, we included the following item in the representation letter from management:</p> <p>“We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements and we have not consulted legal counsel concerning litigation, claims, or assessments.”</p>				Due to the changes in this step it will reset on Roll Forward.
New	Under “Disclosures Testing,” added substep 23.d., as follows;	Procedures steps	Y	GASB-77	

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	If commitments are present related to tax abatements, they are properly disclosed in accordance with GASB-77. (A common example of such a commitment is the construction of infrastructure related to an area of economic development that is also a recipient of a tax abatement).				
AUD-902 Audit Program: Going Concern					
Modify	Updated for AU-C 570. Added: Practice Alert: In January 2015, the Auditing Standards Board issued four interpretations of AU-C Section 570 (see AU-C Section 9570). Interpretation No. 2 (<i>Definition of Reasonable Period of Time</i>) addresses how an auditor should apply the definition of “reasonable period of time” when the applicable financial reporting framework requires management to evaluate whether there are conditions and events that raise substantial doubt for a period of time greater than one year from the date of the financial statements. It states that, if under the entity’s applicable financial reporting framework management is required to evaluate whether there are conditions and events that raise substantial doubt for a period of time greater than one year from the date of the financial statements, the auditor’s assessment of management’s going concern evaluation would be for the same period of time as required by the applicable financial reporting framework.	Procedures steps	Y	AU-C 570	
AUD-903 Audit Program: Consideration of Fraud					
Modify	First paragraph of instructions modified and new Practice Point added; now reads: This audit program is based on the requirements and guidance set forth in AU-C Section 240, <i>Consideration of Fraud in a Financial Statement Audi</i> . Refer to this guidance for additional information.	Instructions	Y	AU-C Section 940	
Modify	Deleted the “Brainstorming” segment (steps 1-26).	Table			The 2016 AUD-903 steps 2, 2a – 2d, 3, 4, 5, and 6 will retain into KBA-501 on roll forward if you have set to keep all responses on roll forward. If KBA-501 wasn’t included in the binder before roll forward please insert it so that these steps will retain on roll forward.
New	New step under “Documenting Fraud-Related Procedures” as follows: We incorporated an element of unpredictability in the selection of audit procedures throughout the engagement.				

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
AUD-904 Audit Program: Compliance with Laws and Regulations, Contract Provisions and Grant Agreements, and Abuse					
Modify	<p>Updated for SEC compliance issues.</p> <p>Modified step 1 now reads as follows:</p> <p>We obtained an understanding of the legal and regulatory framework applicable to the entity, including the identification of instances of noncompliance, by performing the following steps:</p> <ol style="list-style-type: none"> a. Understanding the entity’s policies and procedures for compliance with laws and regulations; b. Inquiring of management regarding compliance with laws and regulations; c. Understanding those laws and regulations that directly determine the reported amounts and disclosures in the financial statements; d. Inspecting correspondence, if any, with the relevant licensing or regulatory authorities; and e. Incorporating our knowledge of the entity’s history of noncompliance with laws and regulations. 	Procedures steps	Y	SEC	Due to the changes in this step it will reset on Roll Forward.
Modify	<p>Modified step 2 (and Practice Point) now reads:</p> <p>We obtained sufficient appropriate audit evidence regarding material amounts and disclosures in the financial statements that are determined by the provisions of those laws and regulations generally recognized to have a direct effect on their determination (e.g., specific reporting issues including debt issuances and compliance with debt covenants, accounting for transactions under government contracts, and pension and tax laws).</p> <p>Practice Alert: The Securities and Exchange Commission recently charged 71 municipal issuers that sold bonds between 2011 and 2014 using offering documents that contained materially false statements or omissions about their compliance with continuing disclosure obligations. The parties settled the actions without admitting or denying the findings and agreed to cease and</p>	Procedures steps	Y	SEC	This step will retain on Roll Forward.

Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference	Roll Forward Considerations
	desist from future violations. Pursuant to the terms of the initiative, they also agreed to undertake to establish appropriate policies, procedures, and training regarding continuing disclosure obligations; comply with existing continuing disclosure undertakings, including updating past delinquent filings, disclose the settlement in future offering documents, and cooperate with any subsequent investigations by the SEC. This is an important area of compliance testing that should be documented. Evidence should be obtained that the entity is current in filing its continuing disclosure in accordance with SEC Rule 15c2-12 and has filed disclosures on a timely basis with the electronic municipal market access system at http://emma.msrb.org , unless exempted. If the entity has settled with the SEC in accordance with the Municipal Continuing Disclosure Cooperation Initiative (MCDC-i), a copy of the consent decree should be obtained and tracing should occur with the elements of the decree to any bond official statements issued after the date of the decree. See also <i>AUD-810 Long-Term Debt and Debt Service</i> .				

Auditor’s Reports (RPTs) 2017 Knowledge-Based Audits of Governmental Entities reports have been updated where applicable to include new Practice Alerts and minor updates and clarifications throughout due to information in AICPA State and Local Audit Guide and with updated references to *Title 2 U.S. Code of Federal Regulations, Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Correspondence Documents (CORs) 2017 Knowledge-Based Audits of Governmental Entities illustrative example correspondence documents have been modified for consistency with the Commercial Title and updated where applicable to include new practice points, practice alerts, and examples.

Tool	Type of Change	Description of Change	Location	Based on Standard Y/N	Standard Reference
CORs 803 & 804	Modify	Modified with clarifications for GASB-72 and IGU 2016-1.	Tables; Additional Guidance	Y	GASB-62; GASB-72; GASB-77; IGU 2016-1
CORs 820 & 821		Modified for the provisions of GASB-77	Tables; Additional Guidance	Y	GASB-77
CORs 829 & 831	Modify	Updated for GASB-82 information.	Throughout, as applicable	Y	GASB-82
COR-901	Modify	Updated for GASB-82 and Uniform Guidance	Throughout, as applicable	Y	GASB-82; Uniform Guidance

Practice Aids (AIDs) 2017 Knowledge-Based Audit™ of Governmental Entities practice aids have been updated throughout with minor edits and clarifications, for consistency with the Commercial Title, and to include new considerations where applicable, including the following:

- **AID-201 Nonattest Services Independence Checklist** – Removed old practice points and clarified points on safeguards.
- **AID-302 Determining the Financial Reporting Entity, Including Component Units** – Update due to GASB-80 and customer feedback.
- **AID-813 AR-Alternative Procedures and Review for Uncollectibles** – Modified for GASB-77.
- **AID-827 Deferred Outflows of Resources and Deferred Inflows of Resources Analysis** – Minor changes and updates for GASB-74 - 81.
- **AID-839 Participant Data Testing Worksheet** – Updated for GASB-75 and GASB-82 - added testing on EPMCs.

Resource Documents (RESs)

- **KCO-003 Answer Effects for the Program Step Library** – New document to show all the answer effects of AUD-100.
- **RES-001 Knowledge-Based Audit Methodology Overview** – Removed references to OMB Circular A-133; added discussion on applicability of SAS-130.
- **RES-002 Index of Audit Programs, Forms, and Other Practice Aids** – Minor changes to titles to align to workpapers in use.
- **RES-003 Government Auditing Standards and Single Audits** – Minor modifications; removed references to OMB Circular A-133.
- **RES-010 Assertions and Examples of "What Can Go Wrong" and Related Controls That Address What Can Go Wrong: Revenue, Receivables, and Cash Receipts** – Additional information included due to GASB-77, *Tax Abatement Disclosures*.
- **RES-011 Assertions and Examples of "What Can Go Wrong" and Related Controls That Address What Can Go Wrong: Purchases, Inventory, and Capital Assets** – Amended practice point to include information on purchase / procurement card (P-Card) controls due to fraud, waste and abuse.
- **RES-013 Assertions and Examples of "What Can Go Wrong" and Related Controls That Address What Can Go Wrong: Payroll, Pensions, and Other Liabilities** – Changes / clarifications to adhere to practices. Changed references to GASB-68 to GASB standards due to amendments and to prepare for GASB-75. Inclusion of practice alert, referring readers to Governmental GAAP Guide for discussion of pensions and OPEB.
- **RES-014 Assertions and Examples of "What Can Go Wrong" and Related Controls That Address What Can Go Wrong: Treasury** – Changes to conform to GASB-72 and related audit provisions; minor clarifications and adjustments.
- **RES-015 Assertions and Examples of "What Can Go Wrong" and Related Controls That Address What Can Go Wrong: Financial Reporting and Closing Process** – Various edits and clarifications, referencing to disclosure checklists.
- **RES-017 Example Factors to Be Considered When Understanding the Entity and Its Environment** – Updated for GASB-80 and other minor adjustments.
- **RES-019 Factors to Be Considered When Documenting Client/Engagement Acceptance and Continuance** – Conforming edits to the Commercial Title
- **RES-020 Defined Benefit Pension Plans - Employer Audit Considerations** – Various edits due to GASB-82 and readying the paper for GASB-74 and 75.

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

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

This edition of *Knowledge-Based Audits of Governmental Entities* includes revisions and updates to help auditors conduct audit engagements in accordance with auditing standards and guidance, including the requirements of SAS-131, Amendment to Statement on Auditing Standards No. 122 Section 700, “Forming an Opinion and Reporting on Financial Statements” (AU-C Section 700); SAS-130, An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements (AU-C Section 940); Government Auditing Standards—2011 Revision (GAGAS) (Yellow Book); Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards contained in the 2nd Code of Federal Regulations, Part 200 – 2CFR200; ET Section 1.295, Nonattest Services, of the AICPA Code of Professional Conduct-Revised; and guidance in the most recent editions of the AICPA Audit and Accounting Guide, State and Local Governments. (For a more in depth discussion on the recently released Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, see the CCH Knowledge Based Audits™ of State and Local Governments with

Single Audits text). Many new tips and examples have been incorporated. The 2017 tools include links to specific guidance that provides instant access to detailed analysis related to the steps and processes discussed in the workpapers. The workpapers have been updated, where applicable, with links to the guidance in CCH's Knowledge-Based Audits™ of State and Local Governments with Single Audits.

In addition, various practice alerts have been added to address the applicability of new or pending audit standards and guidance to audits of state and local governments, including the recently published AICPA State and Local Government Expert Panel article, *Emerging Pension Issues*; GASB Standards and Exposure Drafts up to and including GASB Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*; the GASB *Implementation Guide Update 2016-1*; Statement on Standards for Accounting and Review Services (SSARS) No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification*; and for changes with respect to disclosures related to GASB Standards that are currently in effect or to begin for periods after June 15, 2016.

RELATED, FOUNDATIONS AND ASSOCIATION WORKPAPERS FOR THIS TITLE

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

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

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

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

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

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

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

Additional Information for Associated Workpapers

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

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