

PHG-PA-0.1: LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's Practice Aids for Audits of Health Care Entities (Special-purpose Governmental Entities)

Third Edition (June 2015)

Highlights of this Edition

The following are some of the important new features of the 2015 Edition of *PPC's Practice Aids for Audits of Health Care Entities (Special-purpose Governmental Entities)*:

- **Yellow Book.** In some cases, special-purpose governmental health care entities may be required to follow audit requirements that go beyond generally accepted auditing standards, which most commonly involve following the requirements of the Government Accountability Office's (GAO) *Government Auditing Standards* (Yellow Book). A Yellow Book audit can be required by law, regulation, agreement, contract, or policy. We've provided the audit programs, checklists, confirmations and correspondence letters, and auditor's reports you need to perform an audit of special-purpose governmental health care entities in accordance with *Government Auditing Standards* (Yellow Book).
- **The Most Recent AICPA Guidance Affecting Health Care Entities and Their Auditors.** The AICPA has updated its Audit and Accounting Guide, *Health Care Entities*, to include current guidance on new accounting and auditing requirements for health care entities and their auditors. Your *Practice Aids* have been updated for the effects of the recent revisions to this AICPA guide.
- **New Activity and Entity-level Controls Forms.** We've added activity and entity-level control forms, which are optional source lists of control activities and entity-level controls. The forms provide a list of common key controls that are applicable for many health care entities. The forms can be used as a memory jogger to assist you in identifying and describing the entity's controls or as a supplement to narratives or flowcharts to further document the understanding of controls and to indicate which controls are being tested. PPC's *SMART Practice Aids—Internal Control* incorporates the control activities and entity-level controls in these forms.
- **New Confirmation and Correspondence Letter.** We've added a new letter that will help component auditors communicate findings and results of their work to the group auditor.
- **New Independence Form.** We've added a new practice aid that can be used to document conclusions on compliance with independence requirements applicable to the engagement, including the identification of any threats to independence and safeguards that apply. Also, the form can be used to satisfy the documentation requirements pertaining to the understanding with the client of permissible nonattest services to be performed.
- **Expanded Guidance on Governmental GAAP and Related Auditing Interpretations.** Your *Practice Aids* include expanded and updated guidance for recent GASB standards that are highly complex and difficult to implement properly, including the new pension standards and the requirements relating to deferred outflows of resources and deferred inflows of resources. They have also been updated for three new auditing interpretations that address audits of governmental pensions, including expanded audit procedures and three new letters requesting pension information in accordance with [GASBS No. 68](#).
- **Updated Disclosure Checklists.** The most effective way to ensure that all of the required information is disclosed in the financial statements you audit is to use our comprehensive disclosure checklists. The separate disclosure checklists for special-purpose governmental health care entities have been thoroughly updated to provide you the most current and comprehensive tools to help you ensure the financial statements you audit comply with authoritative pronouncements.

<u>Practice Aid</u>	<u>Substantive Changes/Additions</u>	<u>Practice Aid Reference</u>
OVERALL	1) Updated paragraph references to the September 1, 2014, edition of the AICPA Audit and Accounting Guide, <i>Health Care Entities</i> .	Throughout

	2) Changed references from “OCBOA” to “special purpose framework” where applicable.	Throughout
INTRODUCTION TO AUDITS OF HEALTH CARE ENTITIES	1) Noted addition of audit program procedures, practice aids, and auditor’s reports for performing a financial audit in accordance with the Yellow Book.	PHG-PA-1
CONFIRMATION AND CORRESPONDENCE LETTERS (PHG-CL)		
Audit Engagement Letters	1) Revised the letter and practical considerations for changes in professional guidance, including AICPA revised <i>Code of Professional Conduct</i> .	PHG-CL-1.1
	2) Added an engagement letter to use when performing an audit of governmental health care entities in accordance with the Yellow Book.	PHG-CL-1.3
Legal Letters	3) Modified the practical consideration referring to the ABA’s website.	PHG-CL-2.1
Management Representation Letter	4) Revised the practical considerations to provide additional clarity.	PHG-CL-3.1
	5) Added practical considerations for revisions to make when performing an audit in accordance with the Yellow Book.	PHG-CL-3.1
Internal Control Communications	6) Modified the inside address format of the letter.	PHG-CL-4.1 , PHG-CL-4.2 , PHG-CL-4.3
Communication with Those Charged with Governance during Planning	7) Revised the letter and practical considerations for changes in professional guidance.	PHG-CL-5.1
	8) Added a practical consideration for revisions to make when performing an audit in accordance with the Yellow Book.	PHG-CL-5.1
Cash Confirmations and Letters	9) Renamed the letter to “Receipt for Cash Observed by Auditor” and modified the wording in the letter.	PHG-CL-6.2
Investments and Securities Confirmations and Letters	10) Renamed the letter to “Receipt for Count of Securities Observed by Auditor” and modified the wording in the letter.	PHG-CL-8.1
Benefit Plan Confirmations and Letters	11) Added a new letter to request information when the government’s participation in a single-employer or agent multiple-employer defined benefit pension plan is accounted for under GASBS No. 68 .	PHG-CL-11.3
	12) Added a new letter to request information when the government’s participation in a cost-sharing multiple-employer defined benefit pension plan is accounted for under GASBS No. 68 .	PHG-CL-11.4
	13) Added a new letter to request information when the government participates in a pension plan that has a special funding situation pursuant to GASBS No. 68 .	PHG-CL-11.5
Related Party Questionnaire	14) Added a practical consideration related to attaching a listing of related parties to the questionnaire.	PHG-CL-12.4
External Peer Review Report Transmittal Letter	15) Added a new letter to use when performing an audit in accordance with the Yellow Book.	PHG-CL-12.10
Group and Other Auditor Communications	16) Revised the letter to include suggested language in AU-C 600.A98 .	PHG-CL-14.1 , PHG-CL-14.2

	17) Revised the letter for performance of an audit in accordance with the Yellow Book.	PHG-CL-14.1 , PHG-CL-14.2 , PHG-CL-14.7 PHG-CL-14.9
	18) Added a new letter to assist auditors in group audits where responsibility is assumed for the component auditor's work.	
CHECKLISTS AND PRACTICE AIDS (PHG-CX)		
Application of Practice Aids to Engagements	1) Updated for changes and additions made to the practice aids.	PHG-CX-0.1
Engagement Acceptance and Continuance Form	2) Revised questions about nonattest and nonaudit services.	PHG-CX-1.1
Engagement Independence Continuance and Nonattest Services Documentation Form	3) Replaced the previous checklist (ET Interpretations 101-3 and 101-10 Documentation Form) with this new checklist on independence and nonattest services.	PHG-CX-1.2
Evaluating Independence— <i>Government Auditing Standards, 2011 Revision</i>	4) Added a new independence checklist for Yellow Book engagements.	PHG-CX-1.3
Continuing Professional Education Documentation form	5) Added a new form for Yellow Book engagements.	PHG-CX-1.4
Component Materiality Worksheet	6) Provided additional guidance and revised terminology and wording.	PHG-CX-2.2
Understanding the Entity and Identifying Risks	7) Modified instructions to note that additional documentation or forms may be necessary for identified components and added practical considerations for Yellow Book engagements.	PHG-CX-3.1
Engagement Team Discussion	8) Revised the checklist to provide additional guidance.	PHG-CX-3.2
Fraud Risk Inquiries Form	9) Provided additional guidance regarding which individuals should be interviewed.	PHG-CX-3.3
Audit Inquiries Summary Form	10) Added steps for Yellow Book engagements and a step related to potential component units.	PHG-CX-3.4
Documentation and Analysis of Group Components	11) Moved and renumbered the checklist (previously numbered PHG-CX-11.5).	PHG-CX-3.5
Understanding the Design and Implementation of Internal Control	12) Expanded instructions for Yellow Book engagements and added practical considerations that reference the new activity and entity-level control forms.	PHG-CX-4.1
Financial Reporting System Documentation Forms	13) Added practical considerations for use of the new activity and entity-level control forms.	PHG-CX-4.2 , PHG-CX-4.2.1 , PHG-CX-4.2.2
Activity and Entity-level Control Forms	14) Added new forms to provide optional source lists of control activities and entity-level controls by transaction class for each audit area or by principle for entity-level controls. The forms provide a list of common key controls that are applicable to many special-purpose governmental health care entities.	PHG-CX-5 series
Entity Risk Factors	15) Added an additional risk factor to consider and modified others.	PHG-CX-6.1
Fraud Risk Factors	16) Modified certain fraud factors to consider.	PHG-CX-6.2

Risk Assessment Summary Form	17) Expanded a note to emphasize that audit programs need to be tailored to address the nature, cause, and direction of potential misstatements at the relevant assertion level.	PHG-CX-7.1
Test of Controls Form	18) Modified and added practical considerations on IT-dependent controls and the use of inquiries.	PHG-CX-10.1
Closing Entry and Audit Adjustment Form	19) Made formatting changes to the form.	PHG-CX-12.1
Audit Difference Evaluation Form	20) Added additional qualitative factors for consideration in evaluating materiality.	PHG-CX-12.2
Disclosure Requirements for Financial Statements of Special-purpose Governmental Health Care Entities	21) Updated the checklist for disclosure requirements of recently issued professional accounting standards.	PHG-CX-13
Audit Report Checklist	22) Added a new checklist to assist the auditor in evaluating what audit reports are required and the illustrative examples provided in these <i>Practice Aids</i> .	PHG-CX-16.4
AUDIT PROGRAMS (PHG-AP)		
Audit Program for General Planning Procedures	1) Added steps for Yellow Book engagements.	PHG-AP-1
	2) Added step related to independence standards.	PHG-AP-1
	3) Added steps for determining whether the financial statements properly include all component units.	PHG-AP-1
	4) Expanded the step on the determination of fund categories and major funds to include determining whether all funds have been properly included.	PHG-AP-1
Audit Program for General Auditing and Completion Procedures	5) Added objectives, steps, and practical considerations for Yellow Book engagements.	PHG-AP-2
Audit Program for Patient Revenues, and Receivables	6) Updated the practical consideration to provide additional guidance related to allowance for uncollectible accounts, allowance for contractual adjustments, cost-based program payment methodology, and risk-based contract methodology.	PHG-AP-7
Other Audit Procedures for Patient Revenues and Receivables	7) Added practical considerations for the estimate of uncollectible accounts.	PHG-AP-7A
	8) Expanded the practical consideration on methodologies under which health care entities receive payments to include cost-based program payments and the risk-based contract methodology.	PHG-AP-7A
	9) Added a practical consideration to describe types of independent reviews by the entity, internal audits, and insurance company reviews.	PHG-AP-7A
Audit Program for Other Revenues and Receivables	10) Moved steps for Property Tax Roll Maintained by Another Agency from Other Audit Procedures to Extended Procedures.	PHG-AP-9
	11) Expanded revenue-related liabilities procedures.	PHG-AP-9
Other Audit Procedures for Expenses for Goods and Services, Accounts Payable, and Other Liabilities	12) Added steps and practical considerations related to guarantees.	PHG-AP-12A

Audit Program for Payroll and Related Liabilities	13) Significantly revised the program and added several steps for audits of employers participating in pensions subject to GASBS No. 68 .	PHG-AP-13
Other Audit Procedures for Payroll and Related Liabilities	14) Revised the procedures for on-behalf payments to clarify that the steps do not relate to special funding situations under GASBS No. 68 .	PHG-AP-13A
Audit Program for Debt and Debt Service Expenses	15) Moved the steps for deferred outflows of resources and deferred inflows of resources to be placed later in the program.	PHG-AP-15
Audit Program for Equity	16) Revised terminology in the program to reference net position rather than equity.	PHG-AP-16

REPORTS (PHG-RP)

Standard Report— Special-purpose Governmental Health Care Entity Financial Statements Issued in Accordance with <i>Government Auditing Standards</i> <i>Government Auditing Standards</i> Report on Internal Control over Financial Reporting and on Compliance and Other Matters—with No Material Weaknesses, Significant Deficiencies, or Reportable Instances of Noncompliance or Other Matters Identified <i>Government Auditing Standards</i> Report on Internal Control over Financial Reporting and on Compliance and Other Matters—with No Material Weaknesses, but with Significant Deficiencies, Reportable Instances of Noncompliance, and Other Matters Identified <i>Government Auditing Standards</i> Report on Internal Control over Financial Reporting and on Compliance and Other Matters—with Material Weaknesses and Significant Deficiencies and Reportable Instances of Noncompliance, and Other Matters Identified	1) Revised the report illustrations based on revised examples in AICPA audit guides.	PHG-RP-1 , PHG-RP-2
	2) Added a new illustration of an unmodified auditor's report on single-year financial statements performed in accordance with <i>Government Auditing Standards</i> .	PHG-RP-3
	3) Added a new illustration of an auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of the financial statements in accordance with <i>Government Auditing Standards</i> .	PHG-RP-4
	4) Added a new illustration of an auditor's report on internal control over financial reporting and on compliance and other matters, with significant deficiencies, reportable instances of noncompliance, and other matters identified in accordance with <i>Government Auditing Standards</i> .	PHG-RP-5
	5) Added a new illustration of an auditor's report on internal control over financial reporting and on compliance and other matters, with material weaknesses and significant deficiencies, reportable instances of noncompliance, and other matters identified in accordance with <i>Government Auditing Standards</i> .	PHG-RP-6

PHC-PA-0.1: LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's Practice Aids for Audits of Health Care Entities (Nonprofit and Investor-owned Entities)

Third Edition (June 2015)

Highlights of this Edition

The following are some of the important new features of the 2015 Edition of *PPC's Practice Aids for Audits of Health Care Entities (Nonprofit and Investor-owned Entities)*:

- **Yellow Book.** In some cases, nonprofit health care entities may be required to follow audit requirements that go beyond generally accepted auditing standards, which most commonly involve following the requirements of the Government Accountability Office's (GAO) *Government Auditing Standards* (Yellow Book). A Yellow Book audit can be required by law, regulation, agreement, contract, or policy. We've provided the audit programs, checklists, confirmations and correspondence letters, and auditor's reports you need to perform a financial audit of nonprofit health care entities in accordance with the Yellow Book.
- **The Most Recent AICPA Guidance Affecting Health Care Entities and Their Auditors.** The AICPA has updated its Audit and Accounting Guide, *Health Care Entities*, to include current guidance on new accounting and auditing requirements for health care entities and their auditors. Your *Practice Aids* have been updated for the effects of the recent revisions to this AICPA guide.
- **New Activity and Entity-level Controls Forms.** We've added activity and entity-level control forms, which are optional source lists of control activities and entity-level controls. The forms provide a list of common key controls that are applicable for many health care entities. The forms can be used as a memory jogger to assist you in identifying and describing the entity's controls or as a supplement to narratives or flowcharts to further document the understanding of controls and to indicate which controls are being tested. PPC's *SMART Practice Aids—Internal Control* incorporates the control activities and entity-level controls in these forms.
- **New Confirmation and Correspondence Letter.** We've added a new letter that will help component auditors communicate findings and results of their work to the group auditor.
- **New Form.** We've added a new practice aid that can be used to document conclusions on compliance with independence requirements applicable to the engagement, including the identification of any threats to independence and safeguards that apply. Also, the form can be used to satisfy the documentation requirements pertaining to the understanding with the client of permissible nonattest services to be performed.
- **FASB Accounting Standards Update.** Since the last edition of these *Practice Aids*, the Financial Accounting Standards Board (FASB) has issued twenty new Accounting Standards Updates (ASUs). Among other matters, your *Practice Aids* have been updated—
 - To consider the effect of ASU 2014-15, *Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern*, on the auditor's assessment of the entity's ability to continue as a going concern.
 - For ASU 2015-01, *Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*, which removes the concept of extraordinary items from GAAP.
- **Updated Disclosure Checklists.** The most effective way to ensure that all of the required information is disclosed in the financial statements you audit is to use our comprehensive disclosure checklists. The separate disclosure checklists for nonprofit organizations, nonpublic companies, and additional requirements for nongovernmental health care entities have been thoroughly updated to provide you the most current and comprehensive tools to help you ensure the financial statements you audit comply with authoritative pronouncements.

Practice Aid

Substantive Changes/Additions

Practice Aid Reference

OVERALL	1) Updated to reflect revised references to the AICPA's Technical Questions and Answers (Q&A), which were formerly designated AICPA Technical Practice Aids (TIS).	Throughout
	2) Updated paragraph references to the September 1, 2014, edition of the AICPA Audit and Accounting Guide, <i>Health Care Entities</i> .	Throughout
	3) Made miscellaneous revisions due to the issuance of ASU 2015-01, <i>Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items</i> .	Throughout
	4) Where necessary, changed references to the "Documentation and Analysis of Group Components" at PHC-CX-3.5 that was previously numbered PHC-CX-11.6.	Throughout
INTRODUCTION TO AUDITS OF HEALTH CARE ENTITIES CONFIRMATION AND CORRESPONDENCE LETTERS (PHC-CL)	1) Noted addition of audit program procedures, practice aids, and auditor's reports for performing a financial audit in accordance with the Yellow Book.	PHC-PA-1
Audit Engagement Letters	1) Updated the language in the letter regarding the preparation of the information or tax return.	PHC-CL-1.1
	2) Modified the language in the letter regarding fees.	PHC-CL-1.1
	3) For the note on the schedules and confirmations to be prepared by the client, added expanded language that can be used regarding client assistance.	PHC-CL-1.1
	4) Expanded the practical consideration that discusses signing the engagement letter.	PHC-CL-1.1
	5) Added an engagement letter to use when performing an audit of nonprofit health care entities in accordance with the Yellow Book.	PHC-CL-1.3
Legal Letters	6) Modified the practical consideration referring to the ABA's website.	PHC-CL-2.1
Management Representation Letter	7) Added items to the practical consideration detailing additional representations that might be obtained.	PHC-CL-3.1
	8) Added practical considerations for revisions to make when performing an audit of nonprofit health care entities in accordance with the Yellow Book.	PHC-CL-3.1
	9) For the practical consideration indicating the periods that representation letters should address, added guidance from <i>Q&A 8900.11, Management Representations Regarding Prior Periods Presented That were Audited by a Predecessor Auditor (link)</i> .	PHC-CL-3.1
	10) For the practical consideration that addresses when there is substantial doubt about the entity's ability to continue as a going concern, provided guidance due to the issuance of ASU 2014-15, <i>Presentation of Financial Statements—Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity's Ability to Continue as a Going Concern</i> .	PHC-CL-3.1
Internal Control Communications	11) Modified the inside address format of the letter.	PHC-CL-4.1 , PHC-CL-4.2 , PHC-CL-4.3

Communication with Those Charged with Governance during Planning	12) Modified the letter to indicate the name of the engagement partner.	PHC-CL-5.1
	13) Added a practical consideration for revisions to make when performing an audit of nonprofit health care entities in accordance with the Yellow Book.	PHC-CL-5.1
Communication with Those Charged with Governance at Audit Conclusion	14) Added revisions to make when performing an audit of nonprofit health care entities in accordance with the Yellow Book.	PHC-CL-5.2 , PHC-CL-5.3
	15) For the practical consideration on other matters required to be communicated by various auditing standards, noted the issuance of ASU 2014-15.	PHC-CL-5.2 , PHC-CL-5.3
Cash Confirmations and Letters	16) Modified the name of the letter to "Receipt for Cash Observed by Auditor" and modified the wording in the letter.	PHC-CL-6.2
Investments and Securities Confirmations and Letters	17) Modified the name of the letter to "Receipt for Count of Securities Observed by Auditor" and modified the wording in the letter.	PHC-CL-8.1
	18) Provided additional instructions for the letter.	PHC-CL-8.3 through PHC-CL-8.5 PHC-CL-11.1
Request for Defined Benefit Plan Information	19) Expanded a practical consideration to note the issuance of ASU 2015-04, <i>Compensation—Retirement Benefits (Topic 715): Practical Expedient for the Measurement Date of an Employer's Defined Benefit Obligation and Plan Assets</i> .	
Request for Plan Asset Information—Defined Benefit Pension and Other Postretirement Benefit Plans	20) Expanded a practical consideration to note the issuance of ASU 2015-04.	PHC-CL-11.2
Related Party Confirmation—Nonprofit Health Care Entity	21) Added a practical consideration on adding a listing of identified related parties.	PHC-CL-12.4.1
Related Party Confirmation—Investor-owned Health Care Entity	22) Added a practical consideration on adding a listing of identified related parties.	PHC-CL-12.4.2
External Peer Review Report Transmittal Letter	23) Added a new letter to use when performing an audit of nonprofit health care entities in accordance with the Yellow Book.	PHC-CL-12.8
Request for Actuarial Report	24) Renumbered from PHC-CL-12.8.	PHC-CL-12.9
Data Request Letter	25) Renumbered from PHC-CL-12.9.	PHC-CL-12.10
Client Assistance Request Letter	26) Renumbered from PHC-CL-12.10.	PHC-CL-12.11
Malpractice Liability Insurance Confirmation	27) Renumbered from PHC-CL-12.11.	PHC-CL-12.12
Cost Report Administrator Confirmation	28) Renumbered from PHC-CL-12.12.	PHC-CL-12.13
Group and Other Auditor Communication	29) Revised for performance of an audit of nonprofit health care entities in accordance with the Yellow Book.	PHC-CL-14.1 , PHC-CL-14.2 , PHC-CL-14.4 , PHC-CL-14.7
	30) Added a reference to the new letter, PHC-CL-14.9 , to one of the practical considerations.	PHC-CL-14.4

	31) Added a new letter, "Letter from Component Auditor to Group Auditor on Results of Work and Findings When Responsibility is Assumed."	PHC-CL-14.9
CHECKLISTS AND PRACTICE AIDS (PHC-CX)		
Application of Practice Aids to Engagements	1) Updated for the new practice aids added to the <i>Practice Aids</i> and a checklist that was renumbered.	PHC-CX-0
Engagement Acceptance and Continuance Form	2) Added a factor to consider regarding various services that are now considered to be nonattest services. Made reference to a new practice aid at PHC-CX-1.2 .	PHC-CX-1.1
	3) Modified a factor to consider regarding the requirements of AU-C 220.13 and how the related procedures can be documented on PHC-CX-1.2 .	PHC-CX-1.1
	4) Modified a factor to consider about concerns about management's integrity.	PHC-CX-1.1
	5) Added a factor to consider about situations where a going concern emphasis-of-matter has occurred or might be a possibility.	PHC-CX-1.1
	6) Added a factor to consider about whether individuals participating in the engagement are not properly licensed.	PHC-CX-1.1
Engagement Independence and Nonattest Services Documentation Form	7) Added a new required form in this edition. (Replaces the previous "Nonattest Services Documentation Form.")	PHC-CX-1.2
Evaluating Independence— <i>Government Auditing Standards, 2011 Revision</i>	8) Added a new form in this edition for Yellow Book engagements.	PHC-CX-1.3
Continuing Professional Education Documentation Form	9) Added a new form in this edition for Yellow Book engagements.	PHC-CX-1.4
Component Materiality Worksheet	10) Provided additional guidance in the instructions and to certain steps.	PHC-CX-2.2
Understanding the Entity and Identifying Risks	11) Modified instructions to note that additional documentation or forms may be necessary for identified components.	PHC-CX-3.1
Engagement Team Discussion	12) Modified the instructions to emphasize that the discussion should include an exchange of ideas or brainstorming.	PHC-CX-3.2
	13) Added a practical consideration noting that the engagement team would not include external specialists and internal auditors.	PHC-CX-3.2
	14) Revised for an additional discussion item.	PHC-CX-3.2
Fraud Risk Inquiries Form	15) Provided additional guidance in the instructions.	PHC-CX-3.3
	16) Provided additional guidance in the practical considerations on whom to interview.	PHC-CX-3.3
Audit Inquiries Summary Form	17) Modified a step on related-party transactions.	PHC-CX-3.4
Documentation and Analysis of Group Components	18) Renumbered form. Previously numbered PHC-CX-11.6.	PHC-CX-3.5
Understanding the Design and Implementation of Internal Control	19) Expanded a practical consideration for the control environment to discuss independent outside directors.	PHC-CX-4.1

Financial Reporting System Documentation Form—IT Environment and General Computer Controls	20) Revised for additional minor clarifications.	PHC-CX-4.2.2
Activity and Entity-level Control Forms	21) Added new forms to provide optional source lists of control activities and entity-level controls by transaction class for each audit area or by principle for entity-level controls. The forms provide a list of common key controls that are applicable to many nonprofit or investor-owned health care entities.	PHC-CX-5 series
Entity Risk Factors	22) Added an additional risk factor to consider and modified others.	PHC-CX-6.1
Fraud Risk Factors Risk Assessment Summary Form	23) Modified certain fraud factors to consider. 24) Expanded a note to emphasize that audit programs need to be tailored to address the nature, cause, and direction of potential misstatements at the relevant assertion level.	PHC-CX-6.2 PHC-CX-7.1
Test of Controls Form	25) Modified and added practical considerations on IT-dependent controls and the use of inquiries.	PHC-CX-10.1
Checklist for Determining Whether a Contract is a Derivative	26) Added a practical consideration discussing the issuance of ASU 2014-16, <i>Determining Whether the Host Contract in a Hybrid Financial Instrument Issued in the Form of a Share Is More Akin to Debt or to Equity</i> .	PHC-CX-11.4
Checklist of Tax-related Considerations in a Nonprofit Organization Audit	27) Updated federal limits for required compensation documentation.	PHC-CX-11.7
Closing Entry and Audit Adjustment Form	28) Made formatting changes to the form.	PHC-CX-12.1
Audit Difference Evaluation Form	29) Added additional qualitative factors in evaluating materiality.	PHC-CX-12.2
Disclosure Checklists	30) Updated the checklists for disclosure requirements of recently issued professional accounting standards.	PHC-CX-13.1 , PHC-CX-13.2 , and PHC-CX-13.3
Going Concern Checklist	31) Modified instructions and practical considerations for the issuance of ASU 2014-15.	PHC-CX-16.1
Significant Estimates Identification Checklist	32) Added an additional item for the amortization of goodwill if the accounting alternative was elected.	PHC-CX-16.2
Confirmation and Correspondence Control	33) Added new confirmation letter to the form.	PHC-CX-17.3
AUDIT PROGRAMS (PHC-AP)		
Audit Program for General Planning Procedures	1) Added objectives and steps to use when performing an audit of nonprofit health care entities in accordance with the Yellow Book.	PHC-AP-1
	2) Modified or added practical considerations to note that activities such as financial statement preparation, cash-to-accrual conversions, and reconciliations will be considered nonattest services for periods beginning on or after December 15, 2014.	PHC-AP-1
Other General Planning Procedures	3) Added a practical consideration discussing the use of the new confirmation letter at PHC-CL-14.9 .	PHC-AP-1A
Audit Program for General Auditing and Completion Procedures	4) Added objectives and steps to use when performing an audit of nonprofit health care entities in accordance with the Yellow Book.	PHC-AP-2

Audit Program for Investments and Derivatives	5) Added a practical consideration discussing the issuance of ASU 2014-15. 6) Expanded a practical consideration for the issuance of ASU 2015-02, <i>Consolidations (Topic 810): Amendments to Consolidation Analysis</i> .	PHC-AP-2 PHC-AP-6 , Basic Procedures
Other Audit Procedures for Investments and Derivatives	7) Modified a step for investments accounted for using the cost, equity, or consolidation methods. 8) Expanded steps for transactions qualifying as an acquisition in the Business Combinations—Nonprofit Entities topic to move related steps from the Initial Measurement and Recognition of Goodwill—Nonprofit Entities topic in PHC-AP-12 , Other Audit Procedures for Other Assets.	PHC-AP-6 , Extended Procedures PHC-AP-6A
	9) Modified a step and added a practical consideration in the Business Combinations—Nonprofit Entities topic as a result of the issuance of ASU 2014-17, <i>Business Combinations (Topic 805): Pushdown Accounting</i> .	PHC-AP-6A
	10) Added a practical consideration in the Business Combinations—Nonprofit Entities topic as a result of a new FASB project titled <i>Accounting for Identifiable Intangible Assets in a Business Combination for Public Business Entities and Not-for-Profit Entities</i> .	PHC-AP-6A
	11) Modified a step and added a practical consideration in the Business Combinations—Investor-owned Entities topic as a result of the issuance of ASU 2014-18, <i>Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination</i> .	PHC-AP-6A
	12) Added a practical consideration in the Business Combinations—Investor-owned Entities topic for the issuance of ASU 2014-17, <i>Consolidation (Topic 805): Pushdown Accounting</i> .	PHC-AP-6A
	13) Added and modified steps in the Interests in Variable Interest Entities—Investor-owned Entities topic due to the issuance of ASU 2014-07, <i>Consolidation (Topic 810): Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements</i> .	PHC-AP-6A
Audit Program for Patient Revenues, Other Revenues, and Receivables	14) Updated the practical consideration on ASU 2014-09, <i>Revenue from Contracts with Customers (Topic 606)</i> , for a proposed deferral of the ASU 2014-09 effective date.	PHC-AP-7 , Basic Procedures
	15) Expanded the practical consideration on methodologies under which health care entities receive payments to include the risk-based contract methodology.	PHC-AP-7 , Basic Procedures
	16) Added a practical consideration to describe types of independent reviews by the entity, internal audits, and insurance company reviews.	PHC-AP-7 , Extended Procedures
Other Audit Procedures for Patient Revenues, Other Revenues, and Receivables	17) Added a practical consideration discussing PPC's <i>Workpapers for Nonpublic Companies</i> that includes an electronic "Interim Receivables Rollforward" worksheet.	PHC-AP-7A
	18) Added a new program topic related to naming opportunities.	PHC-AP-7A
Audit Program for Support, Receivables, and Receipts	19) Added a practical consideration on naming opportunities.	PHC-AP-9 , Basic Procedures

	20) Added a practical consideration on the issuance of ASU 2014-09.	PHC-AP-9 , Basic Procedures
	21) Added a new program step related to differentiating between contributions, exchange transactions, and transactions that have elements of both.	PHC-AP-9 , Basic Procedures
Audit Program for Inventories	22) Added a practical consideration discussing the receipt of donated supplies and the need to consider if donated supplies are acquired through government or private grants with reversionary interest of proceeds.	PHC-AP-10 , Basic Procedures
	23) Added a practical consideration discussing a proposed ASU, <i>Inventory (Topic 330): Simplifying the Measurement of Inventory</i> .	PHC-AP-10 , Basic Procedures
Audit Program for Property and Equipment	24) Added a practical consideration discussing the issuance of ASU 2014-08, <i>Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity</i> .	PHC-AP-11 , Basic Procedures
	25) Added a practical consideration discussing the receipt of donated property and equipment and the need to consider if donated property and equipment are acquired through government or private grants with reversionary interest of proceeds.	PHC-AP-11 , Extended Procedures
Other Audit Procedures for Property and Equipment	26) Added a practical consideration discussing the FASB's proposed ASU and tentative decisions on leases.	PHC-AP-11A
Audit Program for Other Assets	27) Added a practical consideration discussing the FASB's proposed ASU and tentative decisions on accounting for goodwill and not-for-profit entities.	PHC-AP-12 , Basic Procedures
Other Audit Procedures for Other Assets	28) Moved procedures in the Initial Measurement and Recognition of Goodwill—Nonprofit Entities topic to the Business Combinations—Nonprofit Entities topic in the Other Audit Procedures for Investments and Derivatives.	PHC-AP-12A
Audit Program for Accounts Payable, Accruals, Other Liabilities, and Expenses	29) Added a practical consideration on the issuance of ASU 2015-01.	PHC-AP-13 , Basic Procedures
	30) Added a practical consideration for the use of data extraction software (DES).	PHC-AP-13 , Extended Procedures
Audit Program for Payroll, Other Compensation, Benefits, and Related Liabilities	31) Added a practical consideration for the use of DES.	PHC-AP-14 , Extended Procedures
Other Audit Procedures for Payroll, Other Compensation, Benefits, and Related Liabilities	32) Added a practical consideration to the Employee Benefit Plans topic for the issuance of ASU 2015-04.	PHC-AP-14A
Audit Program for Taxes	33) Modified a practical consideration discussing PPC's <i>Workpapers for Nonpublic Companies</i> .	PHC-AP-17 , Basic Procedures
	34) Modified a substep on the calculation of deferred taxes.	PHC-AP-17 , Extended Procedures
REPORTING (PHC-RP) Standard Report—Nonprofit Health Care Entity	1) Added practical considerations for revisions to the report needed for an audit performed in accordance with the Yellow Book.	PHC-RP-1

<p><i>Government Auditing Standards Report on Internal Control over Financial Reporting and on Compliance and Other Matters—with No Material Weaknesses, Significant Deficiencies, or Reportable Instances of Noncompliance or Other Matters Identified</i></p>	<p>2) Added a new illustration of an auditor’s report on internal control over financial reporting and on compliance and other matters, with no material weaknesses, significant deficiencies, or reportable instances of noncompliance or other matters identified, based on an audit of the financial statements of a nonprofit health care entity performed in accordance with the Yellow Book.</p>	<p>PHC-RP-3.1</p>
<p><i>Government Auditing Standards Report on Internal Control over Financial Reporting and on Compliance and Other Matters—with No Material Weaknesses Identified, but with Significant Deficiencies, Reportable Instances of Noncompliance, and Other Matters Identified</i></p>	<p>3) Added a new illustration of an auditor’s report on internal control over financial reporting and on compliance and other matters, with significant deficiencies, reportable instances of noncompliance, and other matters identified, based on an audit of the financial statements of a nonprofit health care entity performed in accordance with the Yellow Book.</p>	<p>PHC-RP-3.2</p>
<p><i>Government Auditing Standards Report on Internal Control over Financial Reporting and on Compliance and Other Matters—with Material Weaknesses, Significant Deficiencies, Reportable Instances of Noncompliance, and Other Matters Identified</i></p>	<p>4) Added a new illustration of an auditor’s report on internal control over financial reporting and on compliance and other matters, with material weaknesses, significant deficiencies, reportable instances of noncompliance, and other matters identified, based on an audit of the financial statements of a nonprofit health care entity performed in accordance with the Yellow Book.</p>	<p>PHC-RP-3.3</p>