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Auditing recipients of federal awards : practical guidance for applying OMB circular A-133, Audits of states, local governments, and non-profit organizations : practice aids;

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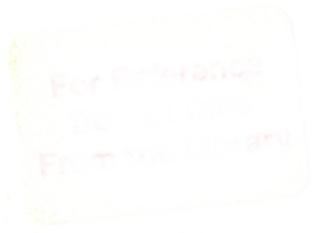
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Auditing Recipients of Federal Awards:

Practical Guidance for Applying OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*

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Auditing Recipients of Federal Awards: Practical Guidance for Applying OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, presents the views of the author and others who helped in its development. This publication has not been approved, disapproved, or otherwise acted upon by any senior technical committees of the American Institute of Certified Public Accountants. Therefore, the contents of this publication, including recommendations and suggestions, have no official or authoritative status.

In May 1998, the Office of Management and Budget issued a 1998 *Compliance Supplement* for Circular A-133. The most significant change from the provisional *Compliance Supplement* issued in June 1997, which is discussed in this Practice Aid, is the inclusion of the compliance requirements for more than forty-five additional programs. However, readers of this Practice Aid should review the other changes, which are listed in appendix 5 of the 1998 *Compliance Supplement*.

**Auditing Recipients
of Federal Award
Practical Guidance for
Applying OMB Circular
A-133, *Audits of States,
Local Governments, and
Non-Profit Organizations***

Practice Aids

Written by
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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

AICPA

AICPA Practice Aid Series

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Auditee: _____

Year Ended: _____

Understanding the Auditee’s Procurement Policies and Procedures

When auditing an entity’s internal control over and compliance with requirements applicable to procurement (see *Compliance Supplement*, Part 3I, “Procurement and Suspension and Debarment”), auditors may find this questionnaire useful in helping to gain an understanding of the auditee’s related policies and procedures. It includes citations, when applicable, to the source of the requirement in the A-102 Common Rule and OMB Circular A-110.

Procurement Standards

States and governmental subrecipients of states should use the same policies and procedures for procurements from federal funds that they use for purchases from non-federal funds. They also should ensure that every purchase order or other contract includes any clauses required by federal statutes and executive orders and their implementing regulations.

Local governments and Indian tribal governments that are not subrecipients of states are to use their own procurement procedures, provided that they conform to applicable federal law and regulations and standards identified in the A-102 Common Rule.

Not-for-profit organizations are to use procurement procedures that conform to applicable federal law and regulations and standards identified in OMB Circular A-110. All non-federal entities are to follow federal laws and implementing regulations applicable to procurements, as noted in federal agency implementation of the A-102 Common Rule and OMB Circular A-110.

Requirements for procurement are contained in the A-102 Common Rule (§___.36), OMB Circular A-110 (§___.40 through §___.48), federal awarding agency regulations, and the terms of the award.

	<u>Yes</u>	<u>No</u>
Procurement administration. Does the entity:		
1. Have written procurement procedures? (A-110, §.44(a))	_____	_____
2. Maintain an effective contract administration system that ensures that contractors perform in accordance with terms, conditions, and specifications of the contracts or purchase orders? (A-102, §.36(b)(2); A-110, §.47)	_____	_____

	<u>Yes</u>	<u>No</u>
3. Maintain written standards of conduct governing the awarding and administering of contracts? (A-102, §.36(b)(3); A-110, §.42) If so, does it:		
a. Prohibit real or apparent conflicts of interest arising from a financial or other interest in the contractor selected for award? (A-102, §.36(b)3; A-110, §.42)	_____	_____
b. Prohibit soliciting or accepting gratuities, favors or anything of monetary value other than an unsolicited item of nominal value? (A-102, §.36(b)(3); A-110, §.42)	_____	_____
c. To the extent permitted by law, provide for penalties, sanctions, or other disciplinary actions for violations? (A-102, §.36(b)(3); A-110, §.42)	_____	_____
4. Provide for a review of proposed procurements to avoid the purchase of unnecessary or duplicative items? (A-102, §.36(b)(4); A-110, §.44(a)(1))	_____	_____
5. Analyze lease or buy alternatives and make other appropriate analyses to determine the most economical purchase? (A-102, §.36(b)(4); A-110, §.44(a)(2))	_____	_____
6. Enter into state and local intergovernmental agreements for the procurement or use of common goods and services? (A-102, §.36(b)(5))	_____	_____
7. Use federal excess and surplus property when it is feasible and reduces project costs? (A-102, §.36(b)(6))	_____	_____
8. Use value engineering clauses in construction contracts? (A-102, §.36(b)(7))	_____	_____
9. Make awards only to responsible contractors that have the ability to successfully complete the contract? (A-102, §.36(b)(8))	_____	_____
10. Maintain sufficient records to detail the significant history of a procurement? (A-102, §.36(b)(9); A-110, §.46)	_____	_____
11. Use time-and-material type contracts only after determining that no other contract is suitable, and if the contract includes a ceiling price that the contractor exceeds at its own risk? (A-102, §.36(b)(10))	_____	_____
12. Have protest procedures to handle and resolve disputes related to procurement? (A-102, §.36(b)(12))	_____	_____
Competition. Does the entity:		
1. Conduct procurement transactions in a manner that provides full and open competition? (A-102, §.36(c)(1); A-110, §.43)	_____	_____
2. Refrain from placing unreasonable requirements for contractors to qualify to do business? (A-102, §.36(c)(1)(i))	_____	_____

	<u>Yes</u>	<u>No</u>
3. Refrain from requiring unnecessary experience and excessive bonding? (A-102, §.36(c)(1)(ii))	_____	_____
4. Remain alert to noncompetitive pricing practices between contractors or between affiliated companies? (A-102, §.36(c)(1)(iii); A-110, §.43)	_____	_____
5. Refrain from making noncompetitive awards to consultants that are on retainer contracts? (A-102, §.36(c)(1)(iv))	_____	_____
6. Avoid organizational conflicts of interest? (A-102, §.36(c)(1)(v); A-110, §.43)	_____	_____
7. Prohibit firms that develop or draft specifications, requirements, statements of work, invitations to bid, or requests for proposals from competing for such procurements? (A-110, §.43)	_____	_____
8. Allow products “equal” to “brand name” products to be offered? (A-102, §.36(c)(1)(vi) and §.36(c)(3)(i); A-110, §.44(a)(3)(iv))	_____	_____
9. Refrain from arbitrary actions in the procurement process? (A-102, §.36(c)(1)(vii))	_____	_____
10. Conduct procurements in a manner that prohibits the use of statutorily or administratively imposed in-state or local geographical preferences, unless federally mandated? (A-102, §.36(c)(2))	_____	_____
11. Have written selection procedures for procurement contracts? (A-102, §.36(c)(3))	_____	_____
12. Issue solicitations that incorporate clear and accurate descriptions of requirements and do not unduly restrict competition? (A-102, §.36(c)(3)(i) and §.36(c)(3)(ii); A-110, §.43 and §.44(a)(3))	_____	_____
13. Ensure that all prequalified lists of contractors are current and include enough qualified sources? (A-102, §.36(c)(4))	_____	_____

Procurement Methods. Does the entity:

1. Use a type of procurement instrument (such as fixed price contracts, cost reimbursable contracts, and so forth) that are appropriate for the particular procurement and promote the best interest of the program? (A-110, §.44(c))	_____	_____
2. Refrain from using “cost-plus-a-percentage-of-cost” or “percentage-of-construction-cost” methods of contracting? (A-102, §.36(f)(4); A-110, §.44(c))	_____	_____
3. Award contracts to the bidder or offeror whose proposal is responsive to the solicitation and is most advantageous to the entity? (A-110, §.43)	_____	_____

	<u>Yes</u>	<u>No</u>
4. Award contracts only to responsible contractors who possess the potential ability to perform successfully under the terms and conditions of the proposed procurement? (A-110, §.44(d))	_____	_____
5. Have small purchase procedures, for example, for goods or services that cost less than \$100,000 in the aggregate? (A-102, §.36(d)(1); A-110, §.44(e)(2))	_____	_____
6. For small purchases, obtain price or rate quotations from an adequate number of qualified sources? (A-102, §.36(d)(1))	_____	_____
7. For sealed-bid purchases, solicit bids publicly and award a firm-fixed price contract to the responsible bidder whose bid, conforming with all material terms and conditions of the invitation for bids, is the lowest price? (A-102, §.36(d)(2))	_____	_____
8. Have appropriate procedures for sealed-bid solicitations, such as publicly advertising the invitation to bid, providing sufficient time for prospective bidders to respond, and providing for bids to be publicly opened? (A-102, §.36(d)(2)(ii))	_____	_____
9. When a sealed-bid approach is not appropriate, use procurement by competitive proposal whereby more than one source submits an offer and either a fixed-price or cost-reimbursement type contract is awarded? (A-102, §.36(d)(3))	_____	_____
10. Have appropriate procedures for procurement by competitive proposal, such as publicizing requests for proposals, soliciting proposals from an adequate number of qualified sources, and awarding the contract to the responsible firm whose proposal is the most advantageous to the program? (A-110, §.36(d)(3))	_____	_____
11. Use procurement by noncompetitive proposal only when the award of a contract is not feasible under small purchase procedures, sealed bids, or competitive proposal and meet one of the following circumstances: (A-102, §.36(d)(4)(i))		
a. The item is available only from a single source?	_____	_____
b. The public exigency or emergency for the requirement will not permit a delay?	_____	_____
c. The awarding agency authorized noncompetitive proposals?	_____	_____
d. After solicitation of a number of sources, competition is determined inadequate?	_____	_____
12. Take affirmative steps to use small and minority firms, women's business enterprises, and labor surplus area firms? (A-102, §.36(e); A-110, §.44(b))	_____	_____
13. Perform a cost or price analysis in connection with every procurement, including contract modifications? (A-102, §.36(f); A-110, §.45)	_____	_____

	<u>Yes</u>	<u>No</u>
14. Make available to the awarding agency, upon request, technical specifications on proposed procurement in certain situations? (A-102, §.36(g)(1))	_____	_____
15. Make procurement documents available for awarding agency pre-award review when:		
a. The entity’s procurement procedures or operations fail to comply with A-102 or A-110? (A-102, §.36(g)(2)(i); A-110, §.44(e)(1))	_____	_____
b. The procurement is expected to exceed \$100,000 and is:		
i. To be awarded by noncompetitive negotiation? (A-102, §.36(g)(2)(ii); A-110, §.44(e)(2))	_____	_____
ii. To be awarded when only a single bid or offer was received? (A-102, §.36(g)(2)(ii); A-110, §.44(e)(2))	_____	_____
iii. To specify a “brand name” product? (A-102, §.36(g)(2)(iii); A-110, §.44(e)(3))	_____	_____
iv. To be awarded to other than the apparent low bidder under a sealed-bid procurement? (A-102, §.36(g)(2)(iv); A-110, §.44(e)(4))	_____	_____
v. A proposed contract modification that changes the scope of the contract or increases the contract amount by \$100,000? (A-102, §.36(g)(2)(v); A-110, §.44(e)(5))	_____	_____

Other requirements. Does the entity:

- | | | |
|---|-------|-------|
| 1. Comply with the bonding requirements for construction or facility improvements exceeding \$100,000? (A-102, §.36(h); A-110, §.48(c)) | _____ | _____ |
| 2. Include in procurement contracts the contractual provisions required by A-102, §.36(i) and A-110, §.48? | _____ | _____ |

Performed by _____ Date _____

Reviewed by _____ Date _____

New Client Evaluation for A-133 Audits

This checklist has been developed using illustrative material contained in section 11,300 of the AICPA's *Audit and Accounting Manual*.

Entity: _____ Fiscal Year End: _____

Address and phone number: _____

Name and title of contact: _____

List key officials, members of management, and so forth. (Obtain organization chart, if possible.)

List the nature and age of data processing system (hardware and software) used, including the systems used for federal awards. _____

List each location maintained by the entity. _____

List each location where federal programs and awards are administered. _____

List each location where accounting and federal awards records are maintained. _____

Does the entity own or operate a Federally Funded Research and Development Center? _____

List related parties that may affect the engagement. _____

Indicate the number of years for which the entity is seeking audit services and the nature and term of any auditor rotation policy. _____

A. Services and Reports Required	<u>Yes</u>	<u>No</u>
1. Has a request for proposal been issued?	_____	_____
2. Is the request for:		
a. An annual audit?	_____	_____
b. A biennial audit?	_____	_____
3. If the entity is requesting an audit in accordance with A-133, does it want a:		
a. Single audit?	_____	_____
b. Program-specific audit?	_____	_____

	<u>Yes</u>	<u>No</u>
4. If the entity is requesting a single audit, does it want:		
a. An organization-wide audit?	_____	_____
b. A series of audits of individual departments, agencies, and other organizational units?	_____	_____
5. If the entity is requesting a single audit, is this a first-year audit? (Note: See provisions for a first-year audit related to deviation from the use of the risk-based approach for selecting major programs in A-133, § ____.520(i).)	_____	_____
6. If the entity is not requesting an A-133 audit, is it required to have an A-133 audit? (If yes, see SAS No. 74 for guidance on communications regarding applicable audit requirements.)	_____	_____
7. Does the entity meet the criteria for audit under the provisions of A-133? Specifically, is it a non-federal entity that has expended \$300,000 or more in federal awards during the year to be audited?	_____	_____
8. Will our firm and staff meet the general standards of <i>Government Auditing Standards</i> , namely:		
a. Continuing education requirements?	_____	_____
b. Independence?	_____	_____
c. Due professional care?	_____	_____
d. Quality control review?	_____	_____
9. Is the entity requesting other services or reports, such as:		
a. A compliance audit of state grants?	_____	_____
b. Letters of compliance with debt covenants?	_____	_____
c. Separate financial statements for organizational units, such as component units or pension trust funds?	_____	_____
d. Limited-scope engagements related to subrecipients of federal awards?	_____	_____
e. Other? _____	_____	_____
10. Has our firm prepared the entity's indirect cost proposal or cost allocation plan? (If yes, see § ____.305(b) of A-133 for restriction on auditors preparing indirect cost proposals.)	_____	_____

	<u>Yes</u>	<u>No</u>
11. Is the audit to be a joint audit with another auditor, such as a minority firm or governmental auditors?	_____	_____

B. A-133 Information

1. Federal awards:		
a. Indicate number of programs	_____	
b. Indicate total amount expended this fiscal year (or during each of the two fiscal years for an entity that receives a biennial audit)	_____	
c. Indicate total amount passed through to subrecipients	_____	
d. Indicate newness and complexity of programs		

2. Is the entity:		
a. A direct recipient?	_____	_____
b. A subrecipient?	_____	_____
c. A pass-through entity?	_____	_____

3. Have we reviewed other reports relative to audits of federal awards? List any major concerns identified including qualified reports, material weaknesses in internal control, and material noncompliance.		

4. Does the auditee meet the criteria for a low-risk auditee for each of the preceding two audits? (See § __.530 of A-133.)		
a. Had single audits?	_____	_____
b. Received unqualified opinions on the financial statements and schedule of expenditures of federal awards?	_____	_____
c. Had no material weaknesses in internal control over financial reporting reported?	_____	_____
d. Had none of the following types of findings in programs during the audit period they were classified as Type A programs—material weaknesses in internal control, material noncompliance, or known or questioned costs greater than 5 percent of expenditures for that Type A program?	_____	_____

	<u>Yes</u>	<u>No</u>
5. Have we inquired or obtained information about the entity's responsibilities for:		
a. Identifying federal awards in its accounts?	_____	_____
b. Monitoring internal control over federal programs?	_____	_____
c. Complying with legal, regulatory, and contractual requirements of federal awards?	_____	_____
d. Preparing appropriate financial statements, including the schedule of expenditures of federal awards?	_____	_____
e. Assuring that required audits are properly performed?	_____	_____
f. Following up and taking corrective action on audit findings?	_____	_____
6. Has the entity used appropriate procurement procedures in arranging for audit services?	_____	_____
7. What is the entity's cognizant or oversight agency for audit?		

C. Industry Practices and Conditions

1. Is the entity a:		
• State government?	_____	_____
• General-purpose local government?	_____	_____
• Special-purpose local government?	_____	_____
• Governmental college or university?	_____	_____
• Governmental hospital?	_____	_____
• Private-sector college or university?	_____	_____
• Private-sector hospital?	_____	_____
• Other not-for-profit entity?	_____	_____
Other (specify) _____		

2. Describe the accounting principles the entity uses for its general-purpose financial statements.

3. Describe the nature of the entity's major assets and liabilities.

4. What are the entity's sources of revenue? Describe major services, clients, and so forth.

5. What are the entity's major sources of non-revenue financing (such as loans, long-term debt, and so forth.) Describe restrictive covenants in any debt agreements.

6. What are the entity's primary expenditures or expenses?

7. What are the entity's larger federal programs?

8. Describe the entity's personnel compensation methods, that is, salary, hourly wage, and so forth.

9. Does the entity maintain the following items? (Attach description, if appropriate.)

a. Accounting manual? _____

b. Budget? _____

c. Cost accounting system? _____

10. Briefly describe the accounting system and accounting responsibilities:

<u>Description of Accounting Record</u>	<u>Name of Person Responsible</u>	<u>EDP</u>	<u>Manual</u>	<u>N/A</u>
a. General ledger	_____	_____	_____	_____
b. Subsidiary ledgers:				
• Accounts receivable	_____	_____	_____	_____
• Fixed assets	_____	_____	_____	_____
• Loans payable	_____	_____	_____	_____
• Accounts payable	_____	_____	_____	_____
• Other: _____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
c. Journals:				
• General journal	_____	_____	_____	_____
• Cash receipts	_____	_____	_____	_____
• Cash disbursements	_____	_____	_____	_____
• Sales/purchase/voucher	_____	_____	_____	_____
• Payroll	_____	_____	_____	_____
• Other: _____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
d. Financial Reporting:				
• Annual financial statements	_____	_____	_____	_____
• Monthly financial statements	_____	_____	_____	_____
• Management reports	_____	_____	_____	_____

11. Briefly describe the entity's internal control over administering federal awards, such as whether it is centralized or decentralized.

12. Describe the entity's procedures and methods to ensure that accounting and federal program transactions are properly recorded.

13. Describe any unusual features of the accounting system.

14. Describe any unusual feature of the system used to administer federal awards.

15. Does it appear that the accounting system and the system used to administer federal awards provide records sufficient to permit the application of audit procedures on a cost-effective basis? [If no, attach a memo explaining the possible scope limitation, its potential effect on the auditor's report, and management's potential reaction.]

D. Other Matters

1. Describe any significant problems that could affect the engagement, such as litigation or other contingencies with the federal government and others, unusual agreements, conversion to or expanded use of EDP equipment, and so forth.

2. Give the name, address, and contact of the current or former independent auditor.

3. Describe any disputes with the current or former auditor over accounting or auditing matters.

4. Describe any apparent problems or areas for improvement that were noted in which our firm could provide additional service or recommendations.

5. Would service to this client cause problems of independence or conflicts of interest?

6. Based on inquiries with the current or former auditor, indicate the amount of any unpaid fees and the reason for nonpayment.

7. If possible, indicate the amount of fees charged by the current or former auditor for the service being proposed. (The auditor or the potential client may be willing to furnish this information, or it might be obtainable from other documents.)

8. Describe any other indications that our firm might have a problem collecting our fees.

	<u>Yes</u>	<u>No</u>
9. Has any of the information obtained raised any concerns about management's integrity, such as:		
a. Difficulty in obtaining information from management, or evasive, guarded, or glib responses to inquiries?	_____	_____

	<u>Yes</u>	<u>No</u>
b. Apparent difficulty in meeting financial commitments or a deteriorating financial position that might predispose management to make an intentional error, irregularity, or misrepresentation?	_____	_____
c. Disputes about accounting principles, engagement procedures, or similarly significant matters with the current or former auditor, or doubt on the part of that auditor about management's integrity?	_____	_____
d. Comments by bankers, attorneys, creditors, or others having a business relationship with the potential client?	_____	_____

Describe all "yes" answers to question 9.

10. Why is the entity considering changing auditors?

11. Is there any reason to suspect that management would be uncooperative, unreasonable, or otherwise unpleasant to work with?

12. Give any other comments or observations that might affect our decision whether to prepare an audit proposal. Add attachments to this form, if necessary.

Prepared by _____

Date _____

Reviewed by _____

Date _____

Auditee: _____

Year Ended: _____

Single Audit Engagement Letter Checklist

Have we considered including the following items in the engagement letter:

	<u>Yes</u>	<u>No</u>
1. Identification of the entity—including any component units or related entities—in the scope of the audit?	_____	_____
2. The specific financial statements to be audited, including the schedule of expenditures of federal awards?	_____	_____
3. The audit period?	_____	_____
4. The auditing standards and requirements to be followed?	_____	_____
5. That the scope of the audit will include the auditee's compliance with the types of compliance requirements described in the <i>Compliance Supplement</i> that are applicable to each major federal program, as defined in A-133?	_____	_____
6. The objectives of the audit?	_____	_____
7. The reports to be issued?	_____	_____
8. That we will complete appropriate sections of and sign the OMB Data Collection Form?	_____	_____
9. The name of the entity personnel to whom we will provide copies of our reports?	_____	_____
10. That the entity is responsible for submitting the reporting package and the OMB Data Collection Form?	_____	_____
11. That our responsibilities for conducting the audit and issuing the report are dependent on the results of the audit and the facts and circumstances at the date of such reports, and that significant problems will be brought to the attention of management and the audit committee, as applicable?	_____	_____

	<u>Yes</u>	<u>No</u>
12. That the financial statements are the responsibility of management?	_____	_____
13. That, related to the financial statements, management also is responsible for:		
a. Establishing and maintaining effective internal control over financial reporting and proper accounting records?	_____	_____
b. Selecting appropriate accounting principles?	_____	_____
c. Safeguarding assets?	_____	_____
d. Identifying and complying with laws, regulations, and the provisions of contracts and grant agreements?	_____	_____
e. Making all financial records and related information available to us?	_____	_____
14. That our responsibility to express an opinion on the financial statements is based on our audit, and is limited to the period covered by our audit?	_____	_____
15. That an audit of financial statements includes:		
a. Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements?	_____	_____
b. Making judgments about the number of transactions to be examined and the areas to be tested?	_____	_____
c. Assessing the accounting principles used and significant estimates made by management?	_____	_____
d. Evaluating the overall financial statement presentation?	_____	_____
16. That our responsibility is for:		
a. Identifying and reporting on material misstatements, whether caused by error or fraud?	_____	_____
b. Understanding, testing, and reporting relative to the entity's internal control over financial reporting?	_____	_____
c. Performing tests and reporting on the entity's compliance with certain provisions of laws, regulations, and the provisions of contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts?	_____	_____
17. That, related to federal awards, management is responsible for:		
a. Compliance with laws, regulations, and the provisions of contracts and grant agreements related to federal programs?	_____	_____

	<u>Yes</u>	<u>No</u>
b. Establishing and maintaining internal control over compliance that provides reasonable assurance that the entity is managing federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a direct and material effect on each of its federal programs?	_____	_____
c. Making all financial records and related information available to us?	_____	_____
18. That, related to federal awards, our responsibility is to:		
a. Express an opinion on whether the entity complied with the types of compliance requirements described in the <i>Compliance Supplement</i> that could have a direct and material effect on each of its major federal programs?	_____	_____
b. Evaluate the risk of noncompliance occurring that could be material to a federal program and, based on our assessment of risk, determine which federal programs should be considered major programs and included within the scope of the compliance audit? (This provision should be modified if the auditor elects to use a dollar threshold approach to selecting major programs, as allowed by A-133 for “first-year” single audits.)	_____	_____
c. Plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that are applicable to the entity’s major federal programs could have a direct and material effect on each of its major federal programs?	_____	_____
d. Inform the entity of all matters of noncompliance that come to our attention unless they are clearly inconsequential?	_____	_____
e. Perform procedures on a test basis that we consider necessary in the circumstances?	_____	_____
f. Obtain an understanding of the entity’s internal control over compliance sufficient to plan the audit and to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinion on compliance and not to provide assurance on the internal control over compliance?	_____	_____
g. Perform testing of internal control as required by A-133?	_____	_____
h. Inform the entity of significant deficiencies in the design or operation of internal control over compliance in relation to a major federal program (“reportable conditions”) that come to our attention, and whether they are a material weakness in internal control over compliance?	_____	_____

	<u>Yes</u>	<u>No</u>
i. Follow up on prior audit findings by performing procedures to assess the reasonableness of the entity's summary schedule of prior audit findings and report, as a current year finding, when we conclude that the summary schedule materially misrepresents the status of any prior audit finding?	_____	_____
j. Communicate certain matters to the audit committee, board of directors, or management, as appropriate, related to the conduct of our audit, including, when applicable:		
• Our responsibility as auditors under GAAS and the GAS standards applicable to financial audits?	_____	_____
• Significant accounting policies?	_____	_____
• Management judgments and accounting estimates?	_____	_____
• Significant audit adjustments?	_____	_____
• Disagreements with management?	_____	_____
• Consultation by management with other accountants on significant matters?	_____	_____
• Difficulties encountered in performing the audit?	_____	_____
• Major issues discussed with management prior to our retention as auditors?	_____	_____
19. That our audit does not provide a legal determination on the entity's compliance with federal program requirements?	_____	_____
20. That we will communicate possible ways to improve the efficiency of the entity's operations or other recommendations concerning internal control?	_____	_____
21. That we will report fraud or illegal acts directly to outside parties, when and if required to do so under generally accepted auditing standards and <i>Government Auditing Standards</i> ?	_____	_____
22. If applicable, the procedures we will perform and the reports that we will issue for other requested services, such as an audit of state grant awards, a review of compliance with debt covenants, and limited-scope audits of subrecipients?	_____	_____
23. If applicable, a discussion of the involvement of other auditors (for example, a joint audit with a minority firm)?	_____	_____
24. Our understanding that our reports on internal control and compliance are intended for the information of the audit committee, management, federal awarding agencies, and, if applicable, pass-through entities?		

	<u>Yes</u>	<u>No</u>
25. Our understanding, if applicable, that the reports on internal control and compliance are a matter of public record?	_____	_____
26. Any assistance to be supplied by entity personnel, including preparation of schedules and analyses of accounts?	_____	_____
27. That, at the conclusion of the engagement, we will request a management representation letter?	_____	_____
28. That we will maintain the working papers for a minimum of three years (or such longer time as is required to satisfy legal and administrative requirements) from the date of the audit reports?	_____	_____
29. That, in accordance with A-133 and federal law, we are required to make our audit working papers available to the cognizant or oversight agency for audit or its designee, a federal agency providing direct or indirect funding, or the U.S. General Accounting Office upon their request for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities?	_____	_____
30. That we will notify the entity of any such request relating to the working papers?	_____	_____
31. Our fee arrangement?	_____	_____
32. The timetable for completing the engagement and issuing our reports unless unexpected factors are encountered?	_____	_____
33. The fact that the timetable has been discussed with and agreed to by entity personnel who will provide us with assistance in the audit and that should circumstances prevent the entity from providing that assistance, our timetable and fee are likely to be affected?	_____	_____
34. That we will promptly inform the entity of changes in circumstances that affect the timetable or fee?	_____	_____
35. Directions for the entity to indicate acceptance of the arrangements?	_____	_____

36. In new engagements, that the entity should take the responsibility for obtaining the cooperation of the prior auditor? Yes No

Prepared by _____ Date _____

Reviewed by _____ Date _____

Illustrative Single Audit Engagement Letter^{1,2}

[Date]

[Addressee]

This letter sets forth our understanding of the terms and objectives of our engagement, the nature and scope of the services we will provide, and the related fee arrangements.

We will audit Example Entity's [*identify the specific financial statements*] as of and for the [*year or period*] ended [*date*] in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We also will report on the supplementary schedule of expenditures of federal awards.

In addition, we will audit the compliance of Example Entity with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of Example Entity's major federal programs as defined in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, dated June 30, 1997. Our audit of Example Entity's compliance with those compliance requirements will be conducted in accordance with generally accepted auditing standards, the standards applicable to financial audits contained in *Government Auditing Standards*, and with the requirements of OMB Circular A-133. The objectives of an audit carried out in accordance with OMB Circular A-133 and those standards are:

- The expression of our opinion concerning whether Example Entity's financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, and our opinion as to whether the schedule of expenditures of federal awards is presented fairly, in all material respects, in relation to the financial statements taken as a whole, and
- The expression of our opinion concerning whether Example Entity complied with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that are applicable to each of Example Entity's major federal programs.

¹ This illustration incorporates the requirements of AU section 310, *Establishing an Understanding With the Client*. Auditors should refer to AU section 310 and chapter 3 of SOP 98-3 for additional information on establishing an understanding with the auditee.

² Additional provisions should be added to the engagement letter, as appropriate, for additional considerations, such as performing procedures relating to an audit of state grant awards or limited-scope audits of subrecipients, the involvement of other auditors (for example, a joint audit with a minority firm), or the auditee's responsibility for obtaining the cooperation of the prior auditor.

Based on the results of our audit, we expect to prepare and issue the following reports:

- An opinion on the financial statements and an opinion as to whether the schedule of expenditures of federal awards is presented fairly, in all material respects, in relation to the financial statements taken as a whole;
- A report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with the standards applicable to financial audits contained in *Government Auditing Standards*;
- An opinion on compliance with requirements applicable to each major program and report on internal control over compliance in accordance with OMB Circular A-133;
- A schedule of findings and questioned costs.

We also will complete the appropriate sections of and sign the OMB Data Collection Form that summarizes our audit findings. We will provide copies of our reports to [Name] so that they can be included in Example Entity's reporting package as defined in OMB Circular A-133. The submission of the reporting package and OMB Data Collection Form is the responsibility of Example Entity.

Our ability to express the opinions and render the reports referred to above, and the wording of our opinions and reports, will, of course, be dependent on the results of the audit and the facts and circumstances at the date of such reports. Should conditions not anticipated preclude us from completing our audit and issuing our reports as contemplated by the preceding paragraphs, we will advise Example Entity management [*and the Audit Committee, as applicable*] promptly and take such action as we deem appropriate.

Financial Statement Audit

The financial statements are the responsibility of Example Entity's management. Encompassed in that responsibility is the establishment and maintenance of effective internal control over financial reporting and proper accounting records, the selection of appropriate accounting principles, the safeguarding of assets, and the identification of and compliance with laws, regulations, and the provisions of contracts and grant agreements. Example Entity also is responsible for making all financial records and related information available to us. Our responsibility is to express an opinion on the financial statements based on our audit, and is limited to the period covered by our audit.

An audit of financial statements includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

We will plan and perform the audit to obtain reasonable rather than absolute assurance about whether the financial statements are free of material misstatement, whether caused by error or fraud.

However, because of the concealment aspects of fraudulent activity, including the fact that fraud often involves collusion or falsified documents, and the need to apply professional judgment in identifying fraud risk factors and other conditions, even a properly designed and performed audit may not detect material misstatement resulting from fraud. Consequently, the audit will not necessarily detect all material misstatements that might exist due to error or fraud. An audit is not designed to detect error or fraud that is immaterial to the financial statements. Example Entity's management is responsible for establishing and maintaining a sound system of internal control, which is the best means of preventing or detecting error and fraud. We will inform you of all matters of fraud and material errors, and all illegal acts that come to our attention unless they are clearly inconsequential.

As part of our audit of the financial statements, we will obtain an understanding of Example Entity's internal control over financial reporting sufficient to plan the audit and to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinion on the financial statements. Our audit is not designed to provide assurance on the internal control over financial reporting or to identify significant deficiencies in the design or operation of internal control over financial reporting ("reportable conditions"). However, we will inform you of "reportable conditions" that come to our attention, and whether they are a material weakness in internal control over financial reporting.

We also will perform tests of Example Entity's compliance with certain provisions of laws, regulations, and the provisions of contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions is not an objective of our audit of the financial statements and, accordingly, we will not express such an opinion.

Compliance Audit of Major Federal Programs

Compliance with laws, regulations, and the provisions of contracts and grant agreements related to federal programs is the responsibility of Example Entity's management. Encompassed in that responsibility is the establishment and maintenance of internal control over compliance that provides reasonable assurance that Example Entity is managing federal awards in compliance with laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on each of its federal programs. Example Entity also is responsible for making all financial records and related information available to us. Our responsibility is to express an opinion on whether Example Entity complied with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Example Entity's major federal programs.

Following the criteria for federal program risk in OMB Circular A-133, we will evaluate the risk of noncompliance occurring that could be material to a federal program and, based on our assessment

of risk, determine which federal programs should be considered major programs and included within the scope of the compliance audit.³

We will plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that are applicable to Example Entity's major federal programs could have a direct and material effect on each of its major federal programs. We will inform you of all matters of noncompliance that come to our attention unless they are clearly inconsequential. An audit of compliance includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we consider necessary in the circumstances. Our audit does not provide a legal determination on Example Entity's compliance with those requirements.

As part of our audit of compliance applicable to Example Entity's major federal programs, we will obtain an understanding of Example Entity's internal control over compliance sufficient to plan the audit and to determine the nature, timing, and extent of our auditing procedures for the purpose of expressing our opinion on compliance and not to provide assurance on the internal control over compliance. We also will perform testing of internal control as required by OMB Circular A-133. We will inform you of significant deficiencies in the design or operation of internal control over compliance in relation to a major federal program ("reportable conditions") that come to our attention, and whether they are a material weakness in internal control over compliance.

We also will follow up on prior audit findings by performing procedures to assess the reasonableness of Example Entity's summary schedule of prior audit findings and report, as a current year finding, when we conclude that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding.

Other Communications Arising From the Audit

In connection with the planning and the performance of our audit we will communicate certain matters to the [*Audit Committee, Board of Trustees, or management, as appropriate*] related to the conduct of our audit, including, when applicable:

- Our responsibility as auditors under generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* (including the nature of any additional testing of internal control over financial reporting and compliance required by laws or regulations)
- Significant accounting policies
- Management judgments and accounting estimates
- Significant audit adjustments
- Disagreements with management

³ This paragraph should be modified if the auditor elects to use a dollar threshold approach to selecting major programs, as allowed by A-133 for "first-year" single audits.

- Consultation by management with other accountants on significant matters
- Difficulties encountered in performing the audit
- Major issues discussed with management prior to our retention as auditors

We also will communicate possible ways to improve the efficiency of Example Entity's operations or other recommendations concerning internal control. Under generally accepted auditing standards and *Government Auditing Standards*, we also may be required to directly report fraud or illegal acts to outside parties.

Other Matters

We understand that our reports on Example Entity's internal control and compliance are intended for the information of the audit committee, management, and federal awarding agencies [*and pass-through entities, if applicable*]. However the reports will be a matter of public record.⁴

Assistance to be supplied by your personnel, including preparation of schedules and analyses of accounts, is described in a separate attachment. Timely completion of this work will facilitate the conclusion of our audits.

At the conclusion of the engagement, we will request Example Entity's management to provide us with a representation letter that, among other things, will confirm Example Entity's responsibility for the preparation of the financial statements; the availability of financial records and related data; establishing and maintaining effective internal control; compliance with laws, regulations, the provisions of contracts and grant agreements that govern federal awards; the completeness and availability of all minutes of board of directors (and committee) meetings; and the absence of fraud involving management or those employees who have significant roles in Example Entity's internal control.

We will maintain the working papers for a minimum of three years [*or such longer time as is required to satisfy legal and administrative requirements*] from the date of the audit reports. In accordance with OMB Circular A-133 and federal law, we are required to make our audit working papers available to the cognizant or oversight agency for audit or its designee, a federal agency providing direct or indirect funding, or the U.S. General Accounting Office upon their request for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request.

Professional Fees

Our fees for these services will be [*describe fee arrangement*]. We anticipate completing the engagement and issuing our reports by [*describe timetable*], unless unexpected factors are

⁴ If the reports are not a matter of public record, this sentence should be deleted.

encountered. This timetable has been discussed with and agreed to by your [*internal audit and*] accounting department(s), which will provide us with assistance in the audit. Should circumstances prevent Example Entity from providing that assistance, our timetable and fee are likely to be affected. [*On fixed-fee engagements, the auditor may include wording indicating that he or she may have to revise the fee estimate and timetable for unexpected factors that he or she becomes aware of after the engagement has begun.*] Should such circumstance occur, we will promptly inform Example Entity.

If these arrangements are acceptable, please sign the enclosed copy of this letter and return it to us. We would be pleased to discuss this letter with you.

[*Signature*]

[*Date*]

The services and arrangements described in this letter are in accordance with our understanding and are acceptable to us.

Client Name

By _____
(Name and Title)

Date _____

Auditee: _____

Year Ended: _____

Illustrative Planning Checklist: A-133 Single Audit

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
A. Understanding the Assignment			
1. Consider the following matters in planning the engagement:			
a. The definition of the reporting entity	_____	_____	_____
b. Whether the entity is a subrecipient or a vendor	_____	_____	_____
c. Whether the entity has properly identified its own subrecipients and vendors	_____	_____	_____
d. Whether there are any non-U.S.-based or for-profit subrecipients	_____	_____	_____
e. The entity's accounting policies and procedures related to preparing the financial statements and administering federal programs	_____	_____	_____
f. The form and content of the financial statements and schedule of expenditures of federal awards	_____	_____	_____
g. The nature and number of reports expected to be rendered (for example, a report on consolidated or consolidating financial statements, a report on the schedule of expenditures of federal awards, reports on internal control and compliance, and the schedule of findings and questioned costs)	_____	_____	_____
h. The audit requirements included in:			
• Generally Accepted Auditing Standards	_____	_____	_____
• <i>Government Auditing Standards</i>	_____	_____	_____
• OMB Circular A-133	_____	_____	_____
• OMB Circular A-133 <i>Compliance Supplement</i>	_____	_____	_____
• The applicable AICPA Audit and Accounting Guide	_____	_____	_____
• SOP 98-3	_____	_____	_____

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
2. In planning the audit:			
a. Discuss with auditee management, board of directors, or audit committee the type, scope, and timing of the audit, auditee reporting responsibilities, and the report submission due date			
b. Consider the effects, if any, of applicable accounting, auditing, legal, regulatory, and contractual requirements, particularly new ones			
c. Coordinate the assistance of the auditee's personnel in data preparation			
d. Determine the extent of involvement, if any, of consultants, other independent auditors, specialists, and internal auditors			
e. Determine that we are not restricted from conducting the audit because we prepared the indirect cost rate proposal or cost allocation plan			
f. Consider the period to be covered by the audit			
g. Consider any joint audit considerations			
h. Consider required communication with the audit committee or other responsible individuals			
i. Evaluate whether the entity qualifies as a low-risk auditee			
j. Consider an approach to auditing indirect costs			
k. Evaluate whether the auditee has any clusters of programs that are major programs			
l. Evaluate whether the A-133 audit will be a single audit or a program-specific audit			
m. Evaluate whether the single audit will be an organization-wide audit or a series of individual audits of departments, agencies, and other organizational units			
n. Obtain a copy of the schedule of expenditures of federal awards and determine that the auditee understands the expenditure recognition and reporting standards for the schedule			
o. Select the major federal programs for audit			
p. Identify the compliance requirements that could have a direct and material effect on the major programs			
q. Identify reporting requirements for state and local awards, if any			

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
3. Consider whether the staff assigned to the engagement is qualified to serve on the engagement, including:			
a. Knowledge of GAAP, GAAS, GAS, A-133, and cost principles	_____	_____	_____
b. GAS-required CPE	_____	_____	_____
4. Ensure that the firm has a current external quality control review as required by GAS.	_____	_____	_____

B. Assigning Personnel to the Engagement

1. Prepare a time budget for the engagement to determine manpower requirements and to schedule fieldwork.	_____	_____	_____
2. Obtain engagement partner approval of the time budget before the beginning of fieldwork.	_____	_____	_____
3. Consider the following factors to achieve a balance of engagement manpower requirements, personnel skills, individual development, and utilization:			
a. Engagement size and complexity	_____	_____	_____
b. Personnel availability	_____	_____	_____
c. Special expertise required	_____	_____	_____
d. Timing of the work performed	_____	_____	_____
e. Continuity and periodic rotation of personnel	_____	_____	_____
f. Opportunities for on-the-job training	_____	_____	_____
4. Obtain engagement partner approval of the scheduling and staffing of the engagement	_____	_____	_____

C. Use of Other Auditors

1. If acting as principal auditor, consider the need to obtain written confirmation that other firms engaged to perform segments of the audit meet GAS requirements, including that they:			
a. Are independent	_____	_____	_____
b. Have met the CPE requirements	_____	_____	_____
c. Have a current external quality control review	_____	_____	_____

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
D. Independence			
1. Review to ensure that all individuals assigned to the engagement are independent	_____	_____	_____
2. Review the firm's accounts receivable from the entity to ascertain whether any outstanding amounts take on some of the characteristics of loans and may, therefore, impair the firm's independence	_____	_____	_____
3. Consider the possible effect of nonaudit services rendered to entity on the firm's audit independence	_____	_____	_____
E. Knowledge of the Entity's Business			
1. Obtain an initial, overall understanding of the entity's operations and its administration of federal programs by performing the following:			
a. Review the prior-year working papers, permanent files, auditor's reports, and financial statements	_____	_____	_____
b. Review the prior-year corrective action plan and summary schedule of prior audit findings	_____	_____	_____
c. Review any interim financial statements or reports for the current year, including filings with awarding agencies. If such statements or reports have not been prepared, scan the general ledger (or trial balance) to determine whether the amounts and relationships appear reasonable in comparison with the prior year	_____	_____	_____
d. Review the prior-year management letter	_____	_____	_____
e. Review the firm's client correspondence file	_____	_____	_____
f. Obtain and review minutes of meetings of the auditee's legislative bodies or boards of directors	_____	_____	_____
2. Engagement personnel should obtain a knowledge of matters that relate to the nature of the entity's business, its organization, and its operating characteristics such as:			
a. Types of services	_____	_____	_____
b. Pass-through entities	_____	_____	_____
c. Subrecipients	_____	_____	_____
d. Cognizant or oversight agency for audit	_____	_____	_____

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
e. Service providers			
f. Related parties			
g. Service locations			
h. Compensation methods			
3. Engagement personnel should obtain a knowledge of matters affecting the industry in which the entity operates, such as:			
a. Economic conditions			
b. Government regulations			
c. Changes in technology			
d. Accounting practices common to the industry			
e. Competitive conditions			
f. Financial trends and ratios			
4. Engagement personnel should consult, as appropriate, other sources of information that relate to the entity's business, such as:			
a. AICPA Audit and Accounting Guides			
b. AICPA Audit Risk Alerts			
c. Industry publications			
d. Financial statements of other entities in the industry			
e. Applicable legal and regulatory requirements			
f. Textbooks, periodicals, and individuals knowledgeable about the industry			
5. In planning the audit, engagement personnel should consider the methods the auditee uses to process accounting information relative to the financial statements and administering federal programs			
6. The following matters should be considered in evaluating the effect of the entity's computer processing on the audit of financial statements and federal programs:			
a. The extent to which computer processes are used in each significant application			
b. The complexity of the entity's computer operations, including the use of an outside service center			
c. The organizational structure of the computer processing activities			

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
d. The availability of appropriate computer-generated reports			
e. The potential for use of computer-assisted audit techniques to increase the efficiency of performing audit procedures			
7. Engagement personnel should consider whether specialized skills are needed to consider the effect of computer processing on the audit			
F. Assessing Auditability			
1. The adequacy of the accounting records should be assessed for the following factors:			
a. Whether transactions are described in sufficient detail to permit appropriate classification in financial statements and identification in the schedule of expenditures of federal awards			
b. Whether noncash transactions are described in a manner that permits the recording of monetary value in the financial statements and identification in the schedule of expenditures of federal awards			
c. Whether accounting records include the period in which the transactions occurred to permit the recording of transactions in the appropriate accounting period			
d. Whether all federal awards and the federal programs under which they were received are identified, as applicable, including:			
• CFDA title and number			
• Award number and year			
• Name of the federal agency			
• Name of the pass-through entity			
2. Obtain an understanding of the design of internal control, including internal control pertaining to the compliance requirements that could have a direct and material effect on major federal programs, and whether such control has been placed in operation through:			
a. Previous experience with the entity			
b. Inquiries of appropriate management, supervisory, and staff personnel			

	Performed by	Date	W/P reference
c. Inspection of entity documents and records	_____	_____	_____
d. Observation of entity activities and operations	_____	_____	_____
3. Document our understanding of the entity's internal control for audit planning purposes in the working papers	_____	_____	_____
4. Perform the following procedures regarding the integrity of management:			
a. Inquire of local attorneys, bankers, and other business leaders as to the entity's standing in the business community	_____	_____	_____
b. Check the auditee's credit rating	_____	_____	_____
G. Engagement Letter			
1. Prepare an engagement letter using the checklist at P/A-3 and the illustrative engagement letter at P/A-4	_____	_____	_____
H. Assessing Audit Risk and Materiality			
1. Assess inherent, control, and fraud risks to determine how much detection risk can be accepted while still restricting audit risk to an acceptable low level	_____	_____	_____
2. Make a preliminary judgment about the dollar amount of misstatement that would be material to the financial statements and each major program	_____	_____	_____
I. Assessment of Control Risk Over Financial Reporting			
1. If control risk is assessed at the maximum level for some or all financial statement assertions, document that conclusion	_____	_____	_____

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
2. Perform the following procedures in assessing control risk below the maximum level for some or all financial statement assertions:			
a. Identify specific internal control policies and procedures relevant to specific assertions that are likely to prevent or detect material misstatements in those assertions	_____	_____	_____
b. Perform tests of controls to evaluate the effectiveness of the design and operation of such controls	_____	_____	_____
3. If a further reduction in the assessed level of control risk is desired, perform additional tests of relevant controls	_____	_____	_____
4. Document in the working papers the basis for the conclusion that control risk is assessed below the maximum level for some or all financial statement assertions	_____	_____	_____
J. Assessment of Control Risk Over Compliance With Major Federal Programs			
1. Gain an understanding of the auditee's internal control over compliance requirements that have a direct and material effect on major programs to plan a low assessed level of control risk. Identify specific internal control policies and procedures relevant to specific compliance requirements that are likely to prevent or detect material noncompliance. (If a low assessed level of control risk cannot be planned, go to step 5.)	_____	_____	_____
2. Perform tests of controls to evaluate the effectiveness of the design and operation of such controls	_____	_____	_____
3. Assess control risk	_____	_____	_____
4. Document in the working papers the internal control tests performed and the results of those tests, if applicable, and the basis for the conclusion concerning the level of control risk	_____	_____	_____

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
5. For those compliance requirements for which a low assessed level of control risk could not be achieved, document that conclusion in the working papers and draft the reportable condition or material weakness audit finding	_____	_____	_____

K. Fraud, Illegal Acts, Material Misstatements, and Noncompliance

1. Consider the risk of material misstatement at the financial statement level and noncompliance at the major program level	_____	_____	_____
2. Consider the risks of management misrepresentation at the financial statement and major program levels	_____	_____	_____
3. Consider the risk of material misstatement at the balance or class level	_____	_____	_____
4. Consider the assessment of risk of material misstatement and noncompliance in determining:			
a. The nature, timing, or extent of audit procedures	_____	_____	_____
b. Assigning staff	_____	_____	_____
c. Requiring appropriate levels of supervision	_____	_____	_____
5. If it is determined that significant risk of material misstatement and noncompliance exists:			
a. Identify the details of specific transactions involving senior management and confirm those details with the appropriate external parties	_____	_____	_____
b. Review the details of all material accounting entries prepared or approved by senior management	_____	_____	_____
c. Consider whether the accounting and compliance policies are acceptable in the circumstances	_____	_____	_____
6. Consider the following matters in the assessment of risk that the entity has not complied with the laws, regulations, and provisions of contracts or grant agreements that could have a direct and material effect on the determination of financial statement amounts and on each major program:			

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
a. The entity's policy, if any, relative to the prevention of illegal acts	_____	_____	_____
b. Management's identification and understanding of the requirements of laws, regulations, and the provisions of contracts and grant agreements pertinent to audit objectives	_____	_____	_____
c. The nature and extent of noncompliance noted in prior audits	_____	_____	_____
d. Internal control designed to give management reasonable assurance that the entity complies with those laws and regulations	_____	_____	_____

L. Analytical Procedures

1. Perform analytical procedures that focus on:			
a. Enhancing the auditor's understanding of the entity's operations and the transactions and events that have occurred since the last audit date	_____	_____	_____
b. Identifying areas that may represent specific risks relevant to the audit	_____	_____	_____
c. Comparing actual results with budgeted amounts	_____	_____	_____

M. Audit Approach and the Audit Program

1. Develop the audit approach and audit program for the engagement	_____	_____	_____
2. Obtain engagement partner review of the audit approach and program	_____	_____	_____

N. Documentation

1. Ensure that the audit planning working papers meet the documentation requirements of:			
a. GAAS	_____	_____	_____
b. GAS	_____	_____	_____
c. A-133	_____	_____	_____

Reviewed by _____ Date _____

Auditee: _____

Year Ended: _____

Characteristics of Subrecipients and Vendors

Purpose: This checklist is being used to analyze whether the auditee is a:
 _____ vendor _____ subrecipient _____ pass-through entity

Note: If using the checklist to analyze whether the auditee is a subrecipient or vendor, the “entity” referred to in the questions is the auditee. If using this checklist to analyze whether the auditee is a pass-through entity, the “entity” referred to in the questions is the entity to which the auditee provides federal funds.

Subrecipient Indicators¹	<u>Yes</u>	<u>No</u>
1. Does the entity determine eligibility for federal assistance?	_____	_____
2. Is the entity’s performance measured against meeting the objectives of the federal program?	_____	_____
3. Does the entity make programmatic decisions?	_____	_____
4. Is the entity required to comply with program compliance requirements?	_____	_____
5. Does the entity use federal funds to carry out the program as compared to providing goods or services?	_____	_____

Vendor Indicators¹	<u>Yes</u>	<u>No</u>
1. Does the entity provide goods or services within normal business operations?	_____	_____
2. Does the entity provide similar goods or services to others?	_____	_____
3. Does the entity operate in a competitive environment?	_____	_____
4. Does the entity provide goods or services that are ancillary to the federal program?	_____	_____
5. Is the entity exempt from compliance requirements other than procurement, receipt, and payment for goods or services?	_____	_____

¹ Although a predominance of yes answers would indicate that the entity is a subrecipient or vendor, professional judgment should be applied. See the discussion at “Is the Auditee a Pass-Through Entity, Subrecipient, or Vendor?” in chapter 5 of the practice guide and at chapter 9 of SOP 98-3.

Conclusion: _____

Prepared by _____

Date _____

Reviewed by _____

Date _____

Auditee: _____

Year Ended: _____

Checklist for Determining Whether an Entity Qualifies as a Low-Risk Auditee

	<u>Year 1</u>		<u>Year 2</u>	
	<u>Yes</u>	<u>No</u>	<u>Yes</u>	<u>No</u>
All of the following conditions must be met for each of the two preceding years (for biennial auditees, each of the two preceding audits)				
1. Single audit was performed in accordance with OMB regulations	_____	_____	_____	_____
2. Auditee does not receive biennial audits*	_____	_____	_____	_____
3. Unqualified opinion on the financial statements*	_____	_____	_____	_____
4. Unqualified opinion on the schedule of expenditures of federal awards*	_____	_____	_____	_____
5. No material weaknesses in internal controls at the financial statement level*	_____	_____	_____	_____
6. No federal programs had the following audit findings in the year the program was classified as Type A:				
a. Material weaknesses in internal controls	_____	_____	_____	_____
b. Material noncompliance	_____	_____	_____	_____
c. Known or likely questioned costs greater than 5 percent of total federal awards expended for the program during the year	_____	_____	_____	_____
Conclusion: Auditee qualifies as low risk			=====	=====

* Cognizant or oversight agency may judge that these conditions do not affect the management of federal awards and provide a waiver.

Prepared by _____

Date _____

Reviewed by _____

Date _____

b. For total federal awards expended that are more than \$100 million but less than or equal to \$10 billion:

(1) Multiply total awards expended by .003
 (_____) X (.003) = \$ _____

(2) Type A programs are those whose expenditures are \$3,000,000 or the amount calculated at part 2b(1), whichever is larger. \$ _____

c. For total federal awards expended that are more than \$10 billion:

(1) Multiply total awards expended by .0015
 (_____) X (.0015) = \$ _____

(2) Type A programs are those whose expenditures are \$30 million or the amount calculated at part 2c(1), whichever is larger. \$ _____

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
3. Identify Type A programs.	_____	_____	_____
4. Designate programs not identified as Type A as Type B programs.	_____	_____	_____

Step 2: Risk Assess Type A Programs

1. Risk assess all Type A programs using the Type A program risk assessment checklist at P/A-11.	_____	_____	_____
2. Identify the number of low-risk Type A programs. If there are none, go past Step 3 to Step 4 and complete only parts 1a, 3, and 4 of Step 4.	_____	_____	_____

2. Part 2: High-Risk Type B Programs

a. Option 1

(1) Number of low-risk Type A programs identified in Step 2 _____

(2) Calculate one-half of the number of high-risk Type B programs identified in Step 3 rounded up to a whole number. _____

(3) The number of high-risk Type B programs to be selected as major programs from part 2a(1) and 2a(2), whichever is smaller _____

b. Option 2

(1) Number of low-risk Type A programs identified in Step 2, up to the number of high-risk Type B programs. This is the number of high-risk Type B programs to be selected as major programs. _____

c. Replace low-risk Type A programs with high-risk Type B programs using the selected option. _____

3. Part 3: Identify any federal programs that are required to be audited as major under the provisions of §.215(c)(2) and that would not otherwise be audited as major. _____

4. Part 4: Percentage-of-Coverage Rule

a. Calculate the required percentage-of-coverage:

(1) Total federal awards expended \$ _____

(2) Calculate 50 percent of total federal awards expended, or \$ _____

(3) If auditee is a low-risk auditee, calculate 25 percent of total federal awards expended. (See P/A-7 for determining whether an entity qualifies as a low-risk auditee.) \$ _____

b. Calculate the aggregate federal awards expended for the programs to be selected as major programs in parts 1 through 3 of this step. \$ _____

<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
-------------------------	-------------	--------------------------

c. If part 4b is larger than part 4a(2) (or 4a(3) for a low-risk auditee), no additional programs need to be selected for testing. _____

d. If part 4b is smaller than part 4a(2) (or 4a(3) for a low-risk auditee), select other federal programs to meet the percentage-of-coverage requirement in part 4a(2) (or 4a(3) for a low-risk auditee). _____

**Step 5: Document the Risk Analysis Process
Used in Determining Major Programs**

Performed by _____ Date _____

Reviewed by _____ Date _____

Auditee: _____

Year Ended: _____

**Checklist of Requirements for the Schedule of Expenditures of Federal Awards
§____.310 (b)**

	<u>Yes</u>	<u>No</u>
1. Is the period covered by the schedule the same as that covered by the financial statements?	_____	_____
2. Does the schedule:		
a. List individual federal programs by federal agency?	_____	_____
b. Show total federal awards expended for each individual federal program and the CFDA numbers or other federal identifying numbers?	_____	_____
c. List individual awards within a cluster of programs?	_____	_____
d. For R&D, list federal awards expended either by individual award, or by federal agency and major subdivision within the federal agency?	_____	_____
e. Identify, to the extent practical, the total amount provided to subrecipients from each federal program?	_____	_____
f. Include, if applicable, the name of the pass-through entity and the identifying number assigned?	_____	_____
3. Does the schedule include notes that describe the significant accounting policies used?	_____	_____
4. Does the schedule (preferably) or a note to the schedule include:		
a. The value of noncash assistance?	_____	_____
b. The amount of insurance in effect during the year?	_____	_____
c. The amount of loans or loan guarantees outstanding at year-end?	_____	_____
5. While not required, does the schedule include additional information requested by federal awarding agencies and pass-through entities?	_____	_____

Conclusion: _____

Prepared by _____

Date _____

Reviewed by _____

Date _____

Auditee: _____

Year Ended: _____

**Illustrative Audit Procedures:
Schedule of Expenditures of Federal Awards**

Audit Objective

To determine whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the auditee's financial statements taken as a whole.

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
1. Inquire of management about the methods used to prepare the schedule, including:			
a. The determination of when the award is expended. (§__.205(a))	_____	_____	_____
b. The treatment of:			
(1) Loan and loan guarantees (§__.205(b))	_____	_____	_____
(2) Loan and loan guarantees at institutions of higher education (§__.205(c))	_____	_____	_____
(3) Prior loan and loan guarantees (§__.205(d))	_____	_____	_____
(4) Endowment funds (§__.205(e))	_____	_____	_____
(5) Free rent (§__205(f))	_____	_____	_____
(6) Noncash assistance (§__.205(g))	_____	_____	_____
(7) Medicare (§__.205(h))	_____	_____	_____
(8) Medicaid (§__205(i))	_____	_____	_____
(9) Program income	_____	_____	_____
c. Whether the schedule is measured and presented within prescribed guidelines (§__.310(b)).	_____	_____	_____
d. Whether the methods of measurement or presentation have been changed from those used in the prior period. (If yes, how and why?)	_____	_____	_____
e. Whether there are any significant assumptions or interpretations underlying the measurement or presentation.	_____	_____	_____

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
2. Evaluate the completeness and classification of the auditee's recorded federal revenues and expenditures.	_____	_____	_____
3. Compare the information in the schedule of expenditures of federal awards for consistency with:			
a. Audited financial statements	_____	_____	_____
b. Other knowledge obtained during the audit of the financial statements	_____	_____	_____
4. Consider obtaining written representations from management.	_____	_____	_____
5. Are there any events that have occurred since the end of the fiscal period that have a material effect on the schedule?	_____	_____	_____
6. Apply other procedures as deemed necessary.	_____	_____	_____

Reviewed by _____ Date _____

Auditee: _____

Year Ended: _____

Federal Programs Risk Assessment Checklist

1. Federal program name: _____
2. CFDA number: _____
3. Federal agency: _____
4. Major subdivision of agency (for R&D programs): _____
5. Name of pass-through entity (if applicable): _____
6. Pass-through entity's identifying number (if applicable): _____
7. Amount expended: \$ _____
8. Is this a cluster of programs or noncash assistance? _____
9. Is this a loan or loan guarantee program? _____
10. Has a federal agency or the pass-through entity requested that this program be audited as major under the provisions of §.215(c)(2) and it would not otherwise be audited as major?

11. Program type: Type A ____ Type B ____ or below Type B risk assessment threshold ____
12. Identify other relevant information: _____

13. After completing the risk assessment on the following worksheet and determining major programs on the worksheet at P/A-8, indicate whether this program is to be audited as a major program: Yes _____ No _____

14. Types of applicable compliance requirements, if to be audited as a major program:

- | | |
|--|---|
| <input type="checkbox"/> A. Activities allowed or unallowed | <input type="checkbox"/> H. Period of availability of federal funds |
| <input type="checkbox"/> B. Allowable costs/cost principles | <input type="checkbox"/> I. Procurement and suspension and debarment |
| <input type="checkbox"/> C. Cash management | <input type="checkbox"/> J. Program income |
| <input type="checkbox"/> D. Davis-Bacon Act | <input type="checkbox"/> K. Real property acquisition and relocation assistance |
| <input type="checkbox"/> E. Eligibility | <input type="checkbox"/> L. Reporting |
| <input type="checkbox"/> F. Equipment and real property management | <input type="checkbox"/> M. Subrecipient monitoring |
| <input type="checkbox"/> G. Matching, level of effort, earmarking | <input type="checkbox"/> N. Special tests and provisions |

Risk Assessment Worksheet: Type A Programs [.520(c)]
Program _____

Note: A yes answer indicates higher risk. A yes answer to a question marked with a [Y] indicates that the program should be considered a high-risk Type A program.

	<u>Yes</u>	<u>No or N/A</u>
1. Has it been two fiscal years since the program was audited as major? [.520c] [Y]	_____	_____
2. Has the federal agency notified the auditee that this program should be considered high-risk? [.520(c)(2)] [Y]	_____	_____
3. During the most recent audit, did the program have the following audit findings? [.520(c)(1)]		
a. Reportable conditions in internal controls [.510(a)(1)] [Y]	_____	_____
b. Material noncompliance with laws, regulations, contracts, or grant agreements [.510(a)(2)][Y]	_____	_____
c. Known or likely questioned costs exceeding \$10,000 for a type of compliance requirement (when audited as major program) [.510(a)(3)]	_____	_____
d. Known questioned costs exceeding \$10,000 (when not audited as major program) [.510(a)(4)]	_____	_____
e. Known fraud [.510(a)(6)]	_____	_____
f. Material misrepresentation of the status of prior audit finding [.510(a)(7)]	_____	_____
4. Has recent monitoring by the federal agency or pass-through entity indicated significant problems? [.525(c)(1)]	_____	_____
5. Has the federal agency indicated this program is higher risk in the <i>Compliance Supplement</i> ? [.525(c)(2)]	_____	_____
6. Does the program have the following inherent risk factors? [.525(d)]:		
a. Complex program requirements [.525(d)(1)]	_____	_____
b. Many or large contracts for goods and services [.525(d)(1)]	_____	_____
c. Eligibility requirements [.525(d)(1)]	_____	_____
d. Significant payroll costs with time and effort reporting [.525(d)(1)]	_____	_____
e. New or significant changes in regulations [.525(d)(2)]	_____	_____
f. First or last year of the program at the auditee [.525(d)(3)]	_____	_____

	<u>Yes</u>	<u>No or N/A</u>
7. Does follow-up on prior audit findings indicate continuing problems? [.520(c)(1)]	_____	_____
8. Have there been significant changes in program personnel? [.520(c)(1)]	_____	_____
9. Have there been significant changes in the program's internal control systems? [.520(c)(1)]	_____	_____
10. Are there other high-risk factors associated with this program (describe below)?	_____	_____
Conclusion: Program is considered a high-risk Type A program	=====	=====

Comments: _____

Performed by _____ Date _____

Reviewed by _____ Date _____

Risk Assessment Worksheet: Type B Programs [.520(c)]
Program _____

Note: A yes answer indicates higher risk. A yes answer to a question marked with a [Y] indicates that the program should be considered a high-risk Type B program.

	<u>Yes</u>	<u>No or N/A</u>
1. Has the federal agency notified the auditee that this program should be considered high-risk? [.520(c)(2)] [Y]	_____	_____
2. Are there known reportable conditions in internal controls? [.520(d)(1)] [Y]	_____	_____
3. Are there weaknesses in internal controls over the program? Consider the following [.525(b)(1)] [Y]:	_____	_____
a. Control environment [.525(b)(1)]	_____	_____
b. Expectation for management adherence to program requirements [.525(b)(1)]	_____	_____
c. Competence and experience of personnel [.525(b)(1)]	_____	_____
d. Multiple internal control structures [.525(b)(1)(i)]	_____	_____
e. Weak monitoring system when there is extensive use of subrecipients [.525(b)(1)(ii)]	_____	_____
f. Extent and complexity of computer processing [.515(b)(1)(iii)]	_____	_____
4. Does follow-up on prior audit findings indicate continuing problems? [.525(b)(2)] [Y]	_____	_____
5. Has it been several years since the program was audited as a major program? [.525(b)(3)]	_____	_____
6. Has recent monitoring by the federal agency or pass-through entity indicated significant problems? [.525(c)(1)][Y]	_____	_____
7. Has the federal agency indicated this program is higher risk in the <i>Compliance Supplement</i> [.525(c)(2)]	_____	_____
8. Does the program have the following inherent risk factors? [.525(d)]		
a. Complex program requirements [.525(d)(1)]	_____	_____
b. Many or large contracts for goods and services [.525(d)(1)]	_____	_____
c. Eligibility requirements [.525(d)(1)]	_____	_____

	<u>Yes</u>	<u>No or N/A</u>
d. Significant payroll costs with time and effort reporting [.525(d)(1)]	_____	_____
e. New or significant changes in regulations [.525(d)(2)]	_____	_____
f. First or last year of the program at the auditee [.525(d)(3)]	_____	_____
9. Does this Type B program have larger expenditures than other Type B programs? [.525(d)(4)]	_____	_____
10. Are there other high-risk factors associated with this program (describe below)?	_____	_____
Conclusion: Program is considered a high-risk Type B program	=====	=====

Comments: _____

Performed by _____ Date _____

Reviewed by _____ Date _____

Auditee: _____

Year Ended: _____

**Checklist of Possible Reportable Conditions:
Internal Control Over Financial Reporting**

Reportable conditions over financial reporting involve matters coming to the auditor's attention relating to significant deficiencies in design or operation of the internal control over financial reporting that, in the auditor's judgment, could adversely affect the entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statement. The following checklist was developed in part from the examples of matters that may be reportable conditions in paragraph 5.26 of *Government Auditing Standards*.

	Yes	No
	_____	_____
1. Have any of the following come to our attention:		
a. Inadequate overall internal control design?	_____	_____
b. Absence of appropriate segregation of duties consistent with appropriate control objectives?	_____	_____
c. Absence of appropriate reviews and approvals of transactions, accounting entries, or system outputs?	_____	_____
d. Inadequate procedures for appropriately assessing and applying accounting principles?	_____	_____
e. Inadequate provisions for the safeguarding of assets?	_____	_____
f. Absence of other control techniques considered appropriate for the type and level of transaction activity?	_____	_____
g. Evidence that a system fails to provide complete and accurate output that is consistent with objectives and current needs because of design flaws?	_____	_____
2. Have any of the following failures in the operation of internal control come to our attention:		
a. Evidence of failure of identified controls in preventing or detecting misstatements of accounting information?	_____	_____
b. Evidence that a system fails to provide complete and accurate output consistent with the entity's control objectives because of the misapplication of control procedures?	_____	_____

	<u>Yes</u>	<u>No</u>
c. Evidence of failure to safeguard assets from loss, damage, or misappropriation?	_____	_____
d. Evidence of intentional override of the internal control structure by those in authority to the detriment of the overall objectives of the system?	_____	_____
e. Evidence of failure to perform tasks that are part of internal control, such as reconciliation not prepared or not timely prepared?	_____	_____
f. Evidence of willful wrongdoing by employees or management?	_____	_____
g. Evidence of manipulation, falsification, or alteration of accounting records or supporting documents?	_____	_____
h. Evidence of intentional misapplication of accounting principles?	_____	_____
i. Evidence of misrepresentation by client personnel to the auditor?	_____	_____
j. Evidence that employees or management lack the qualifications and training to fulfill their assigned functions?	_____	_____
3. Have any of the following other matters come to our attention:		
a. Absence of a sufficient level of control consciousness within the organization?	_____	_____
b. Failure to follow up and correct previously identified internal control deficiencies?	_____	_____
c. Evidence of significant or extensive undisclosed related party transactions?	_____	_____
d. Evidence of undue bias or lack of objectivity by those responsible for accounting decisions?	_____	_____

Conclusions and, if any, action taken:

Prepared by _____ Date _____

Reviewed by _____ Date _____

Auditee: _____

Year Ended: _____

Illustrative Audit Procedures: Summary Schedule of Prior Audit Findings

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
1. Inquire of management and program personnel about the methods used to prepare the schedule.	_____	_____	_____
2. Review management decisions issued by federal agencies and pass-through entities and any appeals of those decisions.	_____	_____	_____
3. Observe activities that have been redesigned to address prior-year findings.	_____	_____	_____
4. Test similar current-year transactions.	_____	_____	_____
5. Review the information in the schedule for consistency with:			
a. Management's responses to inquiries.	_____	_____	_____
b. Knowledge obtained of the status of prior audit findings in steps 2 through 4 above.	_____	_____	_____
6. Consider whether the schedule:			
a. Contains all elements required by A-133, § __.315 (b), including reasons why the auditee believes prior findings are no longer valid.	_____	_____	_____
b. Reports the status of all prior year findings that have not previously been listed as corrected, no longer valid, or not warranting further action, even if associated with a program that is not a current year major program.	_____	_____	_____

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
7. Report as a current year finding instances where the results of audit follow-up procedures disclose that the summary schedule of prior audit findings materially misrepresents the status of any prior audit finding.	_____	_____	_____
8. Consider obtaining a written representation from management as to the status of prior audit findings.	_____	_____	_____
9. Apply other procedures if deemed necessary.	_____	_____	_____

Reviewed by _____

Date _____

Auditee: _____

Year Ended: _____

Checklist of Management Representations Relative to Federal Awards

Note: The following representations related to federal awards may be added to a representation letter obtained in connection with an audit of the financial statements instead of a separate letter. The representations relating to federal awards should be made as of a date no earlier than the date of the auditor's report on major program compliance and internal control over compliance. AU section 333, *Client Representations*, requires the auditor to obtain written representations from management. AU section 333.11 and SOP 98-3, paragraph 6.70, state that management's refusal to furnish written representations constitutes a limitation on the scope of the audit sufficient to preclude an unqualified opinion.

	<u>Yes</u>	<u>No</u>
Were the following representations obtained:		
1. Management is responsible for complying, and has complied, with the requirements of A-133?	_____	_____
2. Management has prepared the schedule of expenditures of federal awards in accordance with A-133 and has included expenditures made during the period being audited for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance?	_____	_____
3. Management is responsible for complying with the laws, regulations, and provisions of contracts and grant agreements related to each of its federal programs?	_____	_____
4. Management is responsible for establishing and maintaining effective internal control over compliance for federal programs that provides reasonable assurance that the auditee is managing federal awards in compliance with the laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs?	_____	_____
5. Management has identified and disclosed to the auditor the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on each federal program?	_____	_____

	<u>Yes</u>	<u>No</u>
6. Management has made available all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities related to federal programs?	_____	_____
7. Management has complied, in all material respects, with the compliance requirements in connection with federal awards except as disclosed to the auditor?	_____	_____
8. Management has identified and disclosed to the auditor all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews?	_____	_____
9. Management has provided its interpretations of any compliance requirements that have varying interpretations?	_____	_____
10. Management has made available all documentation related to the compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements?	_____	_____
11. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the basic financial statements have been prepared and are prepared on a basis consistent with that presented in the schedule of expenditures of federal awards?	_____	_____
12. The copies of federal program financial reports provided to the auditor are true copies of the reports submitted or electronically transmitted to the federal agency or pass-through entity, as applicable?	_____	_____
13. If applicable, management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of A-133?	_____	_____
14. If applicable, management has issued management decisions on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and ensured that subrecipients have taken appropriate and timely corrective action on findings?	_____	_____
15. If applicable, management has considered the results of subrecipient audits and made any necessary adjustments to the auditee's own books and records?	_____	_____
16. Management is responsible for and has accurately prepared the summary schedule of prior audit findings to include all findings required to be included by A-133?	_____	_____

	<u>Yes</u>	<u>No</u>
17. Management has provided the auditor with all information on the status of follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions?	_____	_____
18. Management has accurately completed the appropriate section of the OMB Data Collection Form?	_____	_____
19. If applicable, management has disclosed all contracts or other agreements with service organizations?	_____	_____
20. If applicable, management has disclosed to the auditor all communications from the service organization relating to noncompliance at the service organization?	_____	_____
21. Management has disclosed any known noncompliance occurring subsequent to the period for which compliance is audited?	_____	_____
22. Management has disclosed whether—subsequent to the date as of which compliance is audited—any changes in internal control over compliance or other factors that might significantly affect internal control have occurred, including any corrective action taken by management with regard to reportable conditions (including material weaknesses)?	_____	_____

Prepared by _____

Date _____

Reviewed by _____

Date _____

Illustrative Management Representation Letter for Single Audit Representations¹[Date]²

[Addressee—Auditor]

We are providing this letter in connection with your audit of the federal award programs of XYZ Entity (the Entity) as of and for the year ended June 30, 199X, which was performed in accordance with generally accepted auditing standards, the Single Audit Act Amendments of 1996, OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. We understand that the purpose of your testing of transactions and records from the Entity's federal programs was to obtain reasonable assurance that the Entity had complied, in all material respects, with the compliance requirements that could have a direct and material effect on each of its major programs. In connection with your audit, we confirm, to the best of our knowledge and belief, the following representations made to you during your audit:

1. The Entity has identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on each of its major federal programs.
2. The Entity has made available to you all documentation related to the compliance requirements for its federal programs, including contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies and pass-through entities related to federal programs.
3. The Entity has made available to you all federal program financial records and related data, including information related to federal program financial reports and claims for advances and reimbursements.
4. The Entity has provided to you its interpretations of any compliance requirements that have varying interpretations.

¹ The management representation letter should be adjusted, as appropriate, for conditions specific to the auditee, such as noncompliance identified in the schedule of findings and questioned costs. It also should include any additional representations considered appropriate in the circumstances.

² This date should be no earlier than the date of the auditor's report on major program compliance and internal control over compliance.

5. The Entity has established and maintained effective internal control over compliance that provides reasonable assurance that federal awards are administered in compliance with the laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal programs. That internal control is functioning as intended.
6. The Entity is responsible for complying, and has complied in all material respects, with the requirements of A-133 and with the laws, regulations, and provisions of contracts and grant agreements related to each of its federal programs, except for those findings disclosed in the schedule of findings and questioned costs.
7. The Entity has identified and disclosed to you all amounts questioned and any known noncompliance with the requirements of federal awards, including the results of other audits or program reviews.
8. The schedule of expenditures of federal awards is accurate and complete in all material respects, presents the information required by OMB Circular A-133, and includes all federal program expenditures made during the year ended June 30, 199X. The Entity has identified in the schedule of expenditures of federal awards all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees and other noncash awards, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other assistance.
9. Information presented in federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the Entity's basic financial statements have been prepared and are prepared on a basis consistent with that presented in the schedule of expenditures of federal awards. Amounts claimed or used for matching were determined in accordance with the applicable cost circulars and administrative requirements.
10. The copies of the Entity's federal program financial reports provided to you are true copies of the reports submitted or electronically transmitted to the federal agencies and pass-through entities.
11. There have been no irregularities or instances of fraud involving management, employees who administer federal programs, or other employees that could have a material effect on federal programs.
12. The Entity has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of A-133. Except as disclosed to you, the Entity has issued management decisions on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements, and ensured that subrecipients have taken appropriate and timely corrective action on findings. The Entity has considered the results of subrecipient audits and made any necessary adjustments to our books and records.

13. The summary schedule of prior audit findings and Data Collection Form are accurate and complete in all material respects and contain the information required by OMB Circular A-133.
14. The Entity has provided you with all information on the status of follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
15. The Entity has disclosed to you all contracts or other agreements with service organizations. There have been no communications from the service organizations relating to noncompliance at the service organization.
16. There has been no known noncompliance occurring subsequent to June 30, 199X, or events occurring subsequent to that date that would require adjustment to or disclosure in the schedule of expenditures of federal awards.
17. There have been no changes subsequent to June 30, 199X, in internal control over compliance or other factors that might significantly affect internal control, except for corrective action taken with regard to reportable conditions as disclosed in the corrective action plan.

We understand that your audit was made in accordance with generally accepted auditing standards, the Single Audit Act Amendments of 1996, OMB Circular A-133, and the standards for financial audits contained in *Government Auditing Standards*, and was, therefore, designed for the purpose of obtaining reasonable assurance about whether the schedule of expenditures of federal awards is presented fairly in all material respects in relation to the financial statements taken as a whole and whether the Entity had, in all material respects, administered each of its major federal programs in compliance with the laws, regulations, and provisions of contracts or grants agreements noncompliance with which could have a direct and material effect on the federal program. Accordingly, we understand that your tests of the accounting and federal program records and other auditing procedures were limited to those that you considered necessary for those purposes.

[Signatures]

[Date]

Auditee: _____

Year Ended: _____

Audit Reporting Checklist

	<u>Yes</u>	<u>No</u>
Audit Reports		
1. If the audit covers more than one year, does the auditee meet one of the two following criteria for a biennial audit (§____.220):		
a. A state or local government that is required by constitution or statute, in effect on 1/1/87 and still in effect for the biennial period, to undergo its audit less frequently than annually?	_____	_____
b. A not-for-profit organization that had biennial audits for all biennial periods between 7/1/92 and 1/1/95?	_____	_____
2. Do the auditor's opinions on the financial statements and the supplementary schedule of expenditures of federal awards contain the following elements (see illustrative reports at P/A-18 and P/A-19):		
a. A title that includes the word <i>independent</i> ?	_____	_____
b. A statement that the financial statements identified in the report were audited?	_____	_____
c. A statement that the financial statements are the responsibility of the auditee's management and that the auditor's responsibility is to express an opinion on the financial statements based on his or her audit?	_____	_____
d. A statement that the audit was conducted in accordance with GAAS and the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States?	_____	_____
e. A statement that those standards require that the auditor plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement?	_____	_____

	<u>Yes</u>	<u>No</u>
f. A statement that an audit includes:		
• Examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements?	_____	_____
• Assessing the accounting principles used and significant estimates made by management?	_____	_____
• Evaluating the overall financial statement presentation?	_____	_____
g. A statement that the auditor believes that the audit provides a reasonable basis for his or her opinion?	_____	_____
h. For a government, an opinion on whether the financial statements present fairly, in all material respects, the financial position of the auditee as of the balance sheet date, the results of its operations, and the cash flows of its proprietary fund types and nonexpendable trust funds for the period then ended in conformity with GAAP; for a not-for-profit organization, an opinion on whether the financial statements present fairly, in all material respects, the financial position of the auditee as of the date of the statement of financial position, and the changes in its net assets and its cash flows for the period then ended in conformity with GAAP?	_____	_____
i. A reference to the separate report on compliance with certain provisions of laws, regulations, contracts, and grant agreements and on the internal control over financial reporting prepared in accordance with <i>Government Auditing Standards</i> ? If this reporting is included in the report on the financial statements, this reference is not required.	_____	_____
j. A description of the accompanying supplementary information (such as the schedule of expenditures of federal awards, combining and individual fund and account group financial statements and schedules, and so forth)? This identification may be by descriptive title or by page number of the document.	_____	_____
k. A statement that the accompanying supplementary information, including the schedule of expenditures of federal awards required by A-133, is presented for purposes of additional analysis and is not a required part of the financial statements?	_____	_____
l. An opinion on whether the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole?	_____	_____
m. The manual or printed signature of the auditor's firm?	_____	_____
n. The date of the audit report?	_____	_____

	<u>Yes</u>	<u>No</u>
3. Does the auditor's report on compliance and on internal control over financial reporting based on an audit of the financial statements performed in accordance with GAS contain the following elements (see illustrative reports at P/A-20 and P/A-21):		
a. A statement that the auditor has audited the financial statements of the auditee and a reference to the auditor's report on the financial statements, including a description of any departure from the standard report?	_____	_____
b. A statement that the audit was conducted in accordance with GAAS and with the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States?	_____	_____
c. A statement that as part of obtaining reasonable assurance about whether the auditee's financial statements are free of material misstatement, the auditor performed tests of the auditee's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts?	_____	_____
d. A statement that providing an opinion on compliance with those provisions was not an objective of the audit and that, accordingly, the auditor does not express such an opinion?	_____	_____
e. A statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under <i>Government Auditing Standards</i> and, if they are, describes the instances of noncompliance or refers to the schedule of findings and questioned costs in which they are described? ¹	_____	_____
f. If applicable, a statement that certain immaterial instances of noncompliance were communicated to management in a separate letter?	_____	_____

¹ For an audit that is not subject to Circular A-133 (that is, in accordance with *Government Auditing Standards* only), any reportable instances of noncompliance, reportable conditions, and material weaknesses can either be described in the body of the report or the report can refer to a separate schedule that summarizes the findings noted. This statement should be modified accordingly. For an audit in accordance with Circular A-133, all findings, including those required to be reported under *Government Auditing Standards*, must be included in the schedule of findings and questioned costs.

	<u>Yes</u>	<u>No</u>
g. A statement that in planning and performing the audit, the auditor considered the auditee's internal control over financial reporting in order to determine the auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the internal control over financial reporting?	_____	_____
h. If applicable, a statement that reportable conditions were noted and the definition of a reportable condition?	_____	_____
i. If no reportable conditions are noted, a statement that the auditor's consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses; if reportable conditions are noted, a statement that the auditor's consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses?	_____	_____
j. If applicable, a description of reportable conditions noted or a reference to the schedule of findings and questioned costs in which the reportable conditions are described? ²	_____	_____
k. The definition of a material weakness?	_____	_____
l. If applicable, a statement about whether the auditor believes any of the reportable conditions noted are material weaknesses, and, if they are, describes the material weaknesses noted or refers to the schedule of findings and questioned costs in which they are described. ³ If there are no reportable conditions noted, a statement is made that no material weaknesses were noted	_____	_____
m. If applicable, a statement that other matters involving the internal control over financial reporting were communicated to management in a separate letter	_____	_____
n. A statement that the report is intended for the information of the audit committee, management, specified legislative or regulatory bodies, federal awarding agencies, and, if applicable, pass-through entities? If the report is a matter of public record, a statement should be added that the report is a matter of public record and its distribution is not limited. If the report is not a matter of public record because of legal or other restrictions, this statement should not be added.	_____	_____
o. The manual or printed signature of the auditor's firm?	_____	_____
p. The date of the auditor's report?	_____	_____

² See footnote 1.

³ See footnote 1.

	<u>Yes</u>	<u>No</u>
4. Does the auditor's report on compliance with requirements applicable to each major program and on the internal control over compliance in accordance with A-133 contain the following elements (see illustrative reports at P/A-22 and P/A-23):		
a. A statement that the auditor has audited the compliance of the auditee with the types of compliance requirements described in the <i>OMB Circular A-133 Compliance Supplement</i> that are applicable to each of its major programs?	_____	_____
b. A statement that the auditee's major programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs?	_____	_____
c. A statement that compliance with the requirements of laws, regulations, contracts, and grants applicable to each of the auditee's major federal programs is the responsibility of the auditee's management, and that the auditor's responsibility is to express an opinion on the auditee's compliance based on the audit?	_____	_____
d. A statement that the audit of compliance was conducted in accordance with GAAS, the standards applicable to financial audits contained in <i>Government Auditing Standards</i> issued by the Comptroller General of the United States, and A-133?	_____	_____
e. A statement that those standards and A-133 require that the auditor plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements that could have a direct and material effect on a major federal program occurred?	_____	_____
f. A statement that an audit includes the examining, on a test basis, evidence about the auditee's compliance with those requirements and performing of such other procedures as the auditor considered necessary in the circumstances?	_____	_____
g. A statement that the auditor believes that the audit provides a reasonable basis for the auditor's opinion?	_____	_____
h. A statement that the audit does not provide a legal determination on the auditee's compliance with those requirements?	_____	_____
i. If instances of noncompliance are noted that result in an opinion modification, a reference to a description in the accompanying schedule of findings and questioned costs, including:		
• The reference number(s) of the finding(s)?	_____	_____
• An identification of the type(s) of compliance requirements and related major program(s)?	_____	_____
• A statement that compliance with such requirements is necessary, in the auditor's opinion, for the auditee to comply with requirements applicable to the program(s)?	_____	_____

	<u>Yes</u>	<u>No</u>
j. An opinion on whether the auditee complied, in all material respects, with the types of compliance requirements that are applicable to each of its major federal programs?	_____	_____
k. If applicable, a statement that the results of the auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with A-133 and a reference to the schedule of findings and questioned costs in which they are described?	_____	_____
l. A statement that the auditee's management is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs?	_____	_____
m. A statement that in planning and performing the audit, the auditor considered the auditee's internal control over compliance with requirements that could have a direct and material effect on a major federal program, to determine the auditing procedures for the purpose of expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with A-133?	_____	_____
n. If applicable, a statement that reportable conditions were noted and the definition of a reportable condition?	_____	_____
o. If applicable, a reference to a description of reportable conditions noted in the accompanying schedule of findings and questioned costs, including the reference number of the finding(s)?	_____	_____
p. If no reportable conditions are noted, a statement that the auditor's consideration of the internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses; if reportable conditions are noted, a statement that the auditor's consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses?	_____	_____
q. The definition of a material weakness?	_____	_____
r. If applicable, a statement about whether the auditor believes any of the reportable conditions noted are material weaknesses and, if they are, a reference to a description of the material weaknesses in the schedule of findings and questioned costs, including the reference number of the finding(s)? If there are no reportable conditions, a statement is made that no material weaknesses were noted.	_____	_____

	<u>Yes</u>	<u>No</u>
s. A statement that the report is intended for the information of the audit committee, management, specified legislative or regulatory bodies, federal awarding agencies, and (if applicable) pass-through entities? If the report is a matter of public record, a statement should be added that the report is a matter of public record and its distribution is not limited. If the report is not a matter of public record because of legal or other restrictions, this statement should not be added.	_____	_____
t. The manual or printed signature of the auditor's firm?	_____	_____
u. The date of the auditor's report?	_____	_____
5. Do the auditor's reports include a schedule of findings and questioned costs comprising a summary of the auditor's results, findings for the financial statements that are required to be reported in accordance with GAS, and findings and questioned costs relative to federal awards?	_____	_____

Schedule of Findings and Questioned Costs

1. Does the summary of auditor's results include:		
a. The type of report the auditor issued on the financial statements?	_____	_____
b. Where applicable, a statement that reportable conditions in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses?	_____	_____
c. A statement as to whether the audit disclosed any noncompliance that is material to the financial statements?	_____	_____
d. Where applicable, a statement that reportable conditions in internal control over major programs were disclosed by the audit and whether any such conditions were material weaknesses relative to internal control over major programs?	_____	_____
e. The type of report the auditor issued on compliance for major programs?	_____	_____
f. A statement as to whether the audit disclosed any audit findings that the auditor is required to report under § ____ .510(a) of A-133, including:		
(1) Reportable conditions and material weaknesses in internal control over major programs?	_____	_____
(2) Material noncompliance relating to a major program?	_____	_____
(3) Known and likely questioned costs that are greater than \$10,000 for a major program?	_____	_____

	<u>Yes</u>	<u>No</u>
(4) Known questioned costs that are greater than \$10,000 for a federal program that is not audited as a major program?	_____	_____
(5) The circumstances concerning why the report on compliance for major programs is other than an unqualified opinion?	_____	_____
(6) Known fraud affecting a federal award? [Note: An audit finding is not required if the fraud was reported outside the entity as required by GAS.]	_____	_____
(7) Instances of material misrepresentation by the auditee of the status of any prior audit findings?	_____	_____
g. An identification of major programs?	_____	_____
h. The dollar threshold used to distinguish between Type A and Type B programs?	_____	_____
i. A statement as to whether the auditee qualified as a low-risk auditee?	_____	_____
2. Does the schedule of findings and questioned costs include findings related to the financial statements that are required to be reported in accordance with GAS?	_____	_____
3. Does the schedule of findings and questioned costs include findings and questioned costs for federal awards?	_____	_____
4. Does the audit finding detail include, as applicable:		
a. A reference number?	_____	_____
b. Identification of the federal program and award, including CFDA title and number, federal award number and year, name of federal agency, and name of pass-through entity?	_____	_____
c. The criteria or specific requirements?	_____	_____
d. The condition found?	_____	_____
e. Identification of questioned costs and how they were computed?	_____	_____
f. Information to put the finding in proper perspective for judging the prevalence and consequences?	_____	_____
g. The possible asserted effect of the condition?	_____	_____
h. Recommendations to prevent future occurrence of the deficiency?	_____	_____
i. Views of responsible officials of the auditee when there is disagreement with the audit finding, to the extent practical?	_____	_____

Prepared by _____

Date _____

Reviewed by _____

Date _____

Auditee: _____

Year Ended: _____

Engagement Review Checklist

Yes

No

Audit Contract, Engagement Letter, or Agreement

- 1. Did we issue an audit contract, engagement letter, or agreement and did that contract, letter, or agreement include all provisions required by professional standards and appropriate to the circumstances? (See P/A-3 of this practice guide)

General Standards Applicable to GAS and A-133

Qualifications

- 1. Have we met the licensing requirements of the jurisdiction where the auditee is located? (GAS 3.10e(2), footnote 2)
- 2. Did those responsible for planning, directing, conducting, and reporting on the audit meet the continuing professional education requirements? (GAS 3.6)

Independence

- 1. Is the firm independent of the auditee? (GAS 3.11-3.17)
- 2. For fiscal years beginning after June 30, 1998, was the firm restricted from performing the audit because it prepared the indirect cost proposal? (A-133 § __.305 (b))

Due Professional Care

- 1. Was the scope of the engagement sufficient to meet the requirements of A-133? (A-133 § __.500)

Quality Control

- 1. Have we had an external quality control review within the last 3 years? (GAS 3.46)
- 2. Have we provided our most recent external quality control review report to the auditee? (GAS 3.36)

Fieldwork Standards

Yes

No

Planning and Supervision

- | | | |
|--|-------|-------|
| 1. Have we documented in the working papers that we possess or performed procedures to acquire sufficient knowledge of: | | |
| a. The auditee's industry, operations, and transactions? | _____ | _____ |
| b. Major federal programs administered by the auditee? | _____ | _____ |
| 2. Did we prepare an audit program? (AU 311.05) | _____ | _____ |
| 3. Did we consider the effect of computer processing on the audit? (AU 311.09) | _____ | _____ |
| 4. Did we perform analytical procedures? (AU 329.03—329.06) | _____ | _____ |
| 5. Was adequate follow-up performed on prior audit findings and recommendations? (A-133 § ____.500(a); GAS 4.10-4.11) | _____ | _____ |
| 6. Were procedures performed to assess the reasonableness of the summary schedule of prior audit findings? (A-133 § ____.500(e)) | _____ | _____ |
| 7. Did we design the audit to provide reasonable assurance of detecting material misstatement in the financial statements resulting from noncompliance with applicable laws, regulations, and the provisions of contracts or grant agreements? (GAS 4.13) | _____ | _____ |
| 8. Did we design the audit to provide reasonable assurance of detecting material noncompliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on major federal programs? (A-133 § ____.500(d)) | _____ | _____ |
| 9. Did we follow the guidance in SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> ? (AU 316) (Effective for years ending on or after 12/15/97) | _____ | _____ |
| 10. If applicable, did we communicate with the predecessor auditor? | _____ | _____ |
| 11. If applicable, did we comply with requirements relative to the use of internal auditors? (AU 322.01-322.11) | _____ | _____ |
| 12. Did we provide adequate supervision throughout the audit? (AU 311.11) | _____ | _____ |
| 13. Have we performed appropriate procedures to obtain reasonable assurance that the auditee has identified all federal awards and programs and included them in the scope of the audit? | _____ | _____ |
| 14. Does the schedule of expenditures of federal awards include all the required information and notes? (A-133 § ____.310(b)) | _____ | _____ |

Working Papers

- | | | |
|---|-------|-------|
| 1. Do the working papers contain sufficient information to support our significant judgments and conclusions? (GAS 4.34-4.38) | _____ | _____ |
|---|-------|-------|

	<u>Yes</u>	<u>No</u>
2. Do we have adequate documentation of:		
a. Significant procedures?	_____	_____
b. Materiality and audit risk considerations?	_____	_____
c. Correlation between internal controls and the audit program?	_____	_____
d. The preliminary consideration of internal control?	_____	_____
e. Sampling applications and considerations?	_____	_____
f. Analytical review procedures?	_____	_____
g. Working paper review?	_____	_____
h. Consultations performed?	_____	_____
i. Resolution of independence questions?	_____	_____
j. Contact with predecessor auditor?	_____	_____

Internal Control

1. Did we obtain a sufficient understanding of internal control to plan the audit and determine the nature, timing, and extent of the tests to be performed at the:		
a. Financial statement level? (GAS 4.21-4.22)	_____	_____
b. Federal program level? (A-133 § ____.500(c))	_____	_____
2. Did we document our understanding, procedures performed, assessed level of control risk, and conclusions at the:		
a. Financial statement level? (GAS 4.21-4.33)	_____	_____
b. Federal program level? (A-133 § ____.500(c))	_____	_____
3. If applicable, were reportable conditions and material weaknesses disclosed in the report(s)? (GAS 5.26-5.58; A-133 § ____.505(b))	_____	_____

Substantive Testing

1. Were sufficient procedures performed to support our opinions on the financial statements, the schedule of expenditures of federal awards, and compliance with major federal programs? (A-133 § ____.500(b) and (d))	_____	_____
2. Was a management representation letter obtained? (AU 333.04, 801.16, 801.67)	_____	_____
3. Did we perform audit procedures concerning litigation, claims, and assessments including sending a letter of audit inquiry to the auditee's lawyer? (AU 337.05 and 337.08-337.09)	_____	_____
4. If part of the audit was performed by other auditors, did we make inquiries about the auditor and assess the adequacy of the work performed? (AU 543.10-543.12)	_____	_____
5. Did we perform subsequent events procedures? (AU 560.10-560.12)	_____	_____

Yes

No

12. Have our reports been submitted to all appropriate officials? (GAS 5.32)

Frequency of Audits

1. Was the required audit performed annually? (A-133 §__.220)

2. If the auditee elected a two-year audit, did it meet the criteria of (A-133 §____.220)?

Internal Control Over Compliance

1. Have we performed procedures to obtain an understanding of internal control sufficient to plan the audit to achieve a low assessed level of control risk for major programs?

2. Unless internal control is likely to be ineffective, have we:

a. Planned the testing to achieve a low assessed level of control risk relevant to compliance requirements for each major program?

b. Performed testing as planned?

c. Evaluated the results of the internal control testing and considered those results in determining the nature, timing, and extent of substantive compliance testing?

3. If internal control over compliance requirements is likely to be ineffective, did we:

a. Report a reportable condition or material weakness?

b. Assess control risk at the maximum?

c. Consider that risk assessment in determining the nature, timing, and extent of substantive compliance testing?

Compliance Over Major Programs

1. Has the appropriate compliance supplement been used to identify the applicable compliance requirements?

2. Have we determined whether the compliance requirements as presented in the compliance supplements are affected by changes in laws, regulations, and the provisions of contracts or grants agreements?

3. For programs not in the compliance supplements, have we appropriately identified the applicable compliance requirements?

4. Did the auditee appropriately identify programs that were part of clusters of programs and did we appropriately evaluate those clusters in our selection of major programs and internal control and compliance testwork?

	<u>Yes</u>	<u>No</u>
5. If warranted, did we communicate with the appropriate cognizant or oversight audit agency to avoid or minimize any disagreements or problems?	_____	_____
6. Did we identify the compliance requirements that could have a direct and material effect on each major program, based on the fourteen types of compliance requirements in the <i>Compliance Supplement</i> ?	_____	_____
7. Did we perform audit procedures to determine compliance for each major program, as appropriate?	_____	_____
8. Did we evaluate the results of compliance testing for each major program appropriately to support the reporting of audit findings, the opinion on compliance for each major program, and the opinion on the financial statements?	_____	_____

Major Program Determination

1. Were major programs determined using an appropriate Type A threshold and risk assessment procedures, unless the audit qualifies as a first-year audit under A-133 § __.520(i)?	_____	_____
2. Did we comply with the percentage-of-coverage rule by identifying major programs that encompass at least 50 percent of total federal awards expended, unless the auditee meets the criteria for a low-risk auditee, for which only at least 25 percent is required?	_____	_____
3. Did we use the criteria for federal program risk in A-133 § __.525?	_____	_____
4. Did we document in the working papers the risk analysis process used in determining major programs?	_____	_____

Prepared by: _____ Date: _____

Reviewed by: _____ Date: _____

**Unqualified Opinion on General-Purpose Financial Statements
and Supplementary Schedule of Expenditures of Federal
Awards: Governmental Entity¹**

Independent Auditor's Report

[Addressee]

We have audited the accompanying general-purpose financial statements of the City of Example, Any State, as of and for the year ended June 30, 19X1, as listed in the table of contents. These general-purpose financial statements are the responsibility of the City of Example's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*,² issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the City of Example, Any State, as of June 30, 19X1, and the results of its operations and the cash flows of its proprietary fund types and nonexpendable trust funds for the year then ended in conformity with generally accepted accounting principles.

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1. Auditors may also refer to the AICPA Audit and Accounting Guide *Audits of State and Local Governmental Units* for additional guidance on reporting on the general-purpose financial statements of a government.
 2. The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of *Government Auditing Standards*.

In accordance with *Government Auditing Standards*, we have also issued our report dated [date of report] on our consideration of the City of Example's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.³

The accompanying schedule of expenditures of federal awards⁴ is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the general-purpose financial statements taken as a whole.⁵

[Signature]

[Date]

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3. The following paragraph should be deleted if the schedule of expenditures of federal awards is not presented with the general-purpose financial statements (that is, a separate single audit package is issued). In such a circumstance, the required reporting on the schedule may be incorporated in the report issued to meet the requirements of Circular A-133. See note 4 in P/A-22 for additional guidance.
 4. If the auditor is reporting on additional supplementary information (for example, combining and individual fund and account group financial statements and schedules), this paragraph should be modified to describe the additional supplementary information. The example reports in appendix A of the AICPA Audit and Accounting Guide *Audits of State and Local Governmental Units* and SAS No. 29, *Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents* (AICPA, *Professional Standards*, vol. 1, AU sec. 551) provide useful guidance.
 5. When reporting on the supplementary information, the auditor should consider the effect of any modifications to the report on the general-purpose financial statements. Furthermore, if the report on supplementary information is other than unqualified, this paragraph should be modified. Guidance for reporting in these circumstances is described in paragraphs 9 through 11 and 13 through 14 of SAS No. 29 (AICPA, *Professional Standards*, vol. 1, AU secs. 551.09–.11 and 551.13–.14).

**Unqualified Opinion on Financial Statements and
Supplementary Schedule of Expenditures of Federal Awards:
Not-for-Profit Organization¹**

Independent Auditor's Report

[Addressee]

We have audited the accompanying statement of financial position of Example NFP as of June 30, 19X1, and the related statements of activities and cash flows² for the year then ended. These financial statements are the responsibility of Example NFP's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*,³ issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Example NFP as of June 30, 19X1, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.

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1. Auditors may also refer to the AICPA Audit and Accounting Guide *Not-For-Profit Organizations* for additional guidance on reporting on the financial statements of a not-for-profit organization.
 2. If the not-for-profit organization is a voluntary health and welfare organization, this phrase should be modified to state "and the related statements of activities, functional expenses and cash flows."
 3. The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of *Government Auditing Standards*.

In accordance with *Government Auditing Standards*, we have also issued our report dated [date of report] on our consideration of Example NFP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants.⁴

The accompanying schedule of expenditures of federal awards⁵ is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.⁶

[Signature]

[Date]

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4. The following paragraph should be deleted if the schedule of expenditures of federal awards is not presented with the general-purpose financial statements (that is, a separate single audit package is issued). In such a circumstance, the required reporting on the schedule may be incorporated in the report issued to meet the requirements of Circular A-133. See note 4 in P/A-22 for additional guidance.
 5. If the auditor is reporting on additional supplementary information (for example, a comparison of actual and budgeted expenses), this paragraph should be modified to describe the additional supplementary information. SAS No. 29 provides useful guidance.
 6. When reporting on the supplementary information, the auditor should consider the effect of any modifications to the report on the general-purpose financial statements. Furthermore, if the report on supplementary information is other than unqualified, this paragraph should be modified. Guidance for reporting in these circumstances is described in paragraphs 9 through 11 and 13 through 14 of SAS No. 29 (AICPA, *Professional Standards*, vol. 1, AU secs. 551.09-.11 and 551.13-.14).

Report on Compliance and on Internal Control Over Financial Reporting¹ Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards* (No Reportable Instances of Noncompliance and No Material Weaknesses [No Reportable Conditions Identified])²

[Addressee]

We have audited the financial statements of Example Entity as of and for the year ended June 30, 19X1, and have issued our report thereon dated August 15, 19X1.³ We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*,⁴ issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Example Entity's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that

1. See paragraph 4.12 in SOP 98-3 for a description of internal control over financial reporting.
2. The auditor should use the portions of this report and P/A-21 that apply to a specific auditee situation. For example, if the auditor will be giving an unqualified opinion on compliance but has identified reportable conditions, the compliance section of this report would be used along with the internal control section of P/A-21. Alternatively, if the auditor will be giving a qualified opinion on compliance but has not identified reportable conditions, the internal control section of this report would be used along with the compliance section of P/A-21.
3. Describe any departure from the standard report (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors).
4. The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of *Government Auditing Standards*.

are required to be reported under *Government Auditing Standards*.^{5, 6}

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Example Entity's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.⁷

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5. See paragraphs 5.18 and 5.19 of *Government Auditing Standards* for the criteria for reporting.
 6. If the auditor has issued a separate letter to management to communicate matters that do not meet the criteria for reporting in paragraph 5.18 of *Government Auditing Standards*, this paragraph should be modified to include a statement such as the following: "However, we noted certain immaterial instances of noncompliance, which we have reported to management of Example Entity in a separate letter dated August 15, 19X1." This reference to management is intended to be consistent with paragraph 5.20 of *Government Auditing Standards* which indicates that communications to "top" management should be referred to.
 7. If the auditor has issued a separate letter to management to communicate other matters involving the design and operation of the internal control over financial reporting, this paragraph should be modified to include a statement such as the following: "However, we noted other matters involving the internal control over financial reporting, which we have reported to management of Example Entity in a separate letter dated August 15, 19X1." This reference is not intended to preclude the auditor from including other matters in the separate letter to management. Furthermore, the reference to management is intended to be consistent with paragraph 5.28 of *Government Auditing Standards* which indicates that communications to "top" management should be referred to.

This report is intended for the information of the audit committee, management, [*specify legislative or regulatory body*], and federal awarding agencies and pass-through entities.⁸ However, this report is a matter of public record and its distribution is not limited.⁹

[*Signature*]

[*Date*]

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8. If this report is issued for an audit that is not subject to Circular A-133, this sentence should be modified as follows: "This report is intended for the information of the audit committee, management, and [*specify legislative or regulatory body*]."
9. If the report is not a matter of public record, this sentence should be deleted.

Report on Compliance and on Internal Control Over Financial Reporting¹ Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards (Reportable Instances of Noncompliance and Reportable Conditions Identified)*²

[Addressee]

We have audited the financial statements of Example Entity as of and for the year ended June 30, 19X1, and have issued our report thereon dated August 15, 19X1.³ We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*,⁴ issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether Example Entity's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance that are required to be reported under *Government Auditing Standards*⁵ and which are described in the accompanying schedule of findings and

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1. See paragraph 4.12 of SOP 98-3 for a description of internal control over financial reporting.
 2. The auditor should use the portions of P/A-20 and this report that apply to a specific auditee situation. For example, if the auditor will be giving an unqualified opinion on compliance but has identified reportable conditions, the compliance section of P/A-20 would be used along with the internal control section of this report. Alternatively, if the auditor will be giving a qualified opinion on compliance but has not identified reportable conditions, the internal control section of P/A-20 would be used along with the compliance section of this report.
 3. Describe any departure from the standard report (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors).
 4. The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of *Government Auditing Standards*.
 5. See paragraphs 5.18 and 5.19 of *Government Auditing Standards* for the criteria for reporting.

questioned costs as items [*list the reference numbers of the related findings, for example, 97-2 and 97-5*].⁶

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Example Entity's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Example Entity's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 97-1, 97-4, and 97-8*].

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable

6. If the auditor has issued a separate letter to management to communicate matters that do not meet the criteria for reporting in paragraph 5.18 of *Government Auditing Standards*, this paragraph should be modified to include a statement such as the following: "We also noted certain immaterial instances of noncompliance, which we have reported to management of Example Entity in a separate letter dated August 15, 19X1." This reference to management is intended to be consistent with chapter 5, paragraph 5.20, of *Government Auditing Standards*, which indicates that communications to "top" management should be referred to.

conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.^{7,8}

This report is intended for the information of the audit committee, management, [*specify legislative or regulatory body*], and federal awarding agencies and pass-through entities.⁹ However, this report is a matter of public record and its distribution is not limited.¹⁰

[*Signature*]

[*Date*]

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7. If conditions believed to be material weaknesses are disclosed, the report should identify the material weaknesses that have come to the auditor's attention. The last sentence of this paragraph should be replaced with language such as the following: "However, of the reportable conditions described above, we consider items [*list the reference numbers of the related findings, for example, 97-1 and 97-8*] to be material weaknesses."
 8. If the auditor has issued a separate letter to management to communicate other matters involving the design and operation of the internal control over financial reporting, this paragraph should be modified to include a statement such as the following: "We also noted other matters involving the internal control over financial reporting, which we have reported to management of Example Entity in a separate letter dated August 15, 19X1." This reference is not intended to preclude the auditor from including other matters in the separate letter to management. Furthermore, the reference to management is intended to be consistent with paragraph 5.28 of *Government Auditing Standards* which indicates that communications to "top" management should be referred to.
 9. If this report is issued for an audit that is not subject to Circular A-133, this sentence should be modified as follows: "This report is intended for the information of the audit committee, management, and [*specify legislative or regulatory body*]." All references to the schedule of findings and questioned costs should also be removed, and instead, a description of the findings should be included in the report.
 10. If the report is not a matter of public record, this sentence should be deleted.

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 (*Unqualified Opinion on Compliance and No Material Weaknesses [No Reportable Conditions Identified]*)¹

[Addressee]

Compliance

We have audited the compliance of Example Entity with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 19X1. Example Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Example Entity's management. Our responsibility is to express an opinion on Example Entity's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*,² issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about

1. The auditor should use the portions of this report and P/A-23 that apply to a specific auditee situation. For example, if the auditor will be giving an unqualified opinion on compliance but has identified reportable conditions, the compliance section of this report would be used along with the internal control section of P/A-23. Alternatively, if the auditor will be giving a qualified opinion on compliance but has not identified reportable conditions, the internal control section of this report would be used along with the compliance section of P/A-23.
2. The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of *Government Auditing Standards*.

Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Example Entity's compliance with those requirements.

In our opinion, Example Entity complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 19X1. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items *[list the reference numbers of the related findings, for example, 97-3 and 97-6]*.³

Internal Control Over Compliance

The management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Example Entity's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be

3. When there are no such instances of noncompliance identified in the schedule of findings and questioned costs, the last sentence should be omitted.

detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.⁴

This report is intended for the information of the audit committee, management, [*specify legislative or regulatory body*], and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.⁵

[*Signature*]

[*Date*]

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4. As noted in note 3 of P/A-18, there may be instances in which it would be appropriate to report on the schedule of expenditures of federal awards in this report (that is, a separate single audit package is issued). In such a circumstance, a new section should be added immediately following this paragraph as follows:

Schedule of Expenditures of Federal Awards

We have audited the [*general-purpose or basic*] financial statements of Example Entity as of and for the year ended June 30, 19X1, and have issued our report thereon dated August 15, 19X1. Our audit was performed for the purpose of forming an opinion on the [*general-purpose or basic*] financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the [*general-purpose or basic*] financial statements. Such information has been subjected to the auditing procedures applied in the audit of the [*general-purpose or basic*] financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the [*general-purpose or basic*] financial statements taken as a whole.

Describe any departure from the standard report (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors). Auditors should also refer to note 5 of P/A-18 for additional guidance.

5. If the report is not a matter of public record, this sentence should be deleted.

Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133 (*Qualified Opinion on Compliance and Reportable Conditions Identified*)¹

[Addressee]

Compliance

We have audited the compliance of Example Entity with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 19X1. Example Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Example Entity's management. Our responsibility is to express an opinion on Example Entity's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*,² issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Example Entity's compliance with those requirements.

1. The auditor should use the portions of P/A-22 and this report that apply to a specific auditee situation. For example, if the auditor will be giving an unqualified opinion on compliance but has identified reportable conditions, the compliance section of P/A-22 would be used along with the internal control section of this report. Alternatively, if the auditor will be giving a qualified opinion on compliance but has not identified reportable conditions, the internal control section of P/A-22 would be used along with the compliance section of this report.
2. The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of *Government Auditing Standards*.

As described in item [*list the reference numbers of the related findings, for example, 97-10*] in the accompanying schedule of findings and questioned costs, Example Entity did not comply with requirements regarding [*identify the type(s) of compliance requirement*] that are applicable to its [*identify the major federal program*]. Compliance with such requirements is necessary, in our opinion, for Example Entity to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Example Entity complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 19X1.³

Internal Control Over Compliance

The management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Example Entity's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

We noted certain matters involving the internal control over compliance and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Example Entity's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 97-7, 97-8, and 97-9*].

3. When other instances of noncompliance are identified in the schedule of findings and questioned costs as required by Circular A-133, the following sentence should be added: "The results of our auditing procedures also disclosed other instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 97-3 and 97-6*]."

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that non-compliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.^{4,5}

This report is intended for the information of the audit committee, management, [*specify legislative or regulatory body*], and federal awarding agencies and pass-through entities. However, this report is a matter of public record and its distribution is not limited.⁶

[*Signature*]

[*Date*]

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4. If conditions believed to be material weaknesses are disclosed, the report should identify the material weaknesses that have come to the auditor's attention. The last sentence of this paragraph should be replaced with language such as the following: "However, of the reportable conditions described above, we consider items [*list the reference numbers of the related findings, for example, 97-1 and 97-8*] to be material weaknesses."
 5. As noted in note 3 of P/A-18 there may be instances in which it would be appropriate to report on the schedule of expenditures of federal awards in this report (that is, a separate single audit package is issued). In such a circumstance, a new section should be added immediately following this paragraph as follows:

Schedule of Expenditures of Federal Awards

We have audited the [*general-purpose or basic*] financial statements of Example Entity as of and for the year ended June 30, 19X1, and have issued our report thereon dated August 15, 19X1. Our audit was performed for the purpose of forming an opinion on the [*general-purpose of basic*] financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the [*general-purpose or basic*] financial statements. Such information has been subjected to the auditing procedures applied in the audit of the [*general-purpose or basic*] financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the [*general-purpose or basic*] financial statements taken as a whole.

Describe any departure from the standard report (for example, a qualified opinion, a modification as to consistency because of a change in accounting principle, or a reference to the report of other auditors). Auditors should also refer to note 5 of P/A-18 for additional guidance.

6. If the report is not a matter of public record, this sentence should be deleted.

Data Collection Form

Note: The data collection form included in this practice aid is current as of the printing of this practice guide. Users should consult the Internet site listed in appendix C to determine whether an updated data collection form has been issued.

[Form begins on next page]

INSTRUCTIONS FOR COMPLETION OF SF-SAC, REPORTING ON AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is OMB No. 0348-0057. The time required to complete this data collection form is estimated to average 30 hours for large auditees (i.e., auditees most likely to administer a large number of Federal awards) and 6 hours for all other auditees. These amounts reflect estimates of reporting burden on both auditees and auditors relating to the data collection form, including the time to review instructions, obtain the needed data, and complete and review the information collection.

Office of Management and Budget (OMB) Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," requires non-Federal entities that expend \$300,000 or more in a year in Federal awards to have an audit conducted in accordance with the Circular.

Circular A-133 (§ __. 320(b)) requires auditees to submit a data collection form, along with other specified reports, to the Federal clearinghouse designated by OMB (currently the U.S. Bureau of the Census) at the completion of each audit.

SUBMISSION TO FEDERAL CLEARINGHOUSE

The data collection form must be completely filled out and signed by both the auditee and auditor. **Submission of anything other than a complete data collection form and reporting package as required by Circular A-133 will be returned to the auditee.**

DESCRIPTION OF THE DATA COLLECTION FORM ITEMS

PART I - GENERAL INFORMATION

The auditee shall complete this section, except for Item 7, and sign the certification statement provided in Item 6 (g).

• Item 1 - Fiscal Year Ending Date

Enter the last day of the entity's fiscal period covered by the audit.

• Item 2 - Type of Circular A-133 Audit

Check the appropriate box. § __.200 of Circular A-133 requires non-Federal entities that expend \$300,000 or more in a year in Federal awards to have a single audit conducted in accordance with § __.500, except when they elect to have a program-specific audit conducted in accordance with § __.235.

• Item 3 - Audit Period Covered

Check the appropriate box. Annual audits cover 12 months and Biennial audits cover 24 months. If the audit period covered is neither Annual nor Biennial, mark "Other" and provide the number of months covered in the space provided.

• Item 4 - Date Received by Federal Clearinghouse

Federal Government use only.

• Item 5 - Employer Identification Number (EIN)

(a) Auditee EIN

Enter the auditee Employer Identification Number (EIN), which is the Taxpayer Identification Number assigned by the Internal Revenue Service (IRS). Also, using the spaces provided, enter the EIN on the top of each page.

(b) Multiple EINs Covered in the Report

Check the appropriate box to indicate whether the auditee (or components of an auditee covered by the audit) was assigned more than one EIN by the IRS. (Example: A State-wide audit covers many departments, each of which may have its own separate EIN.) If yes, indicate principal EIN under 5 (a).

• Item 6 - Auditee Information

(g) A senior representative of the auditee (e.g., State controller, director of finance, chief executive officer, chief financial officer) shall sign a statement that the information in the form is accurate and complete as required by § __.320 of Circular A-133. Provide the name and title of the signatory and date of signature.

• Item 7 - Auditor Information

The auditor shall complete this item.

(a) Enter the name of the auditor that conducted the audit in accordance with Circular A-133. The auditor name may represent a sole practitioner, certified public accounting firm, State auditor, etc. Where multiple auditors or audit organizations are used to conduct the audit work, the auditors should use judgment in determining which auditor's name should be provided in Item 7. The auditor listed in Part I, Item 7 (a) shall be the same auditor that signs the auditor statement in Part I, Item 7 (g) of this form.

• Item 8 - Cognizant or Oversight Agency for Audit

Check the appropriate box. Each auditee has either a Federal cognizant agency for audit or an oversight agency for audit, determined in accordance with § __.400(a) or (b) of Circular A-133.

• Item 9 - Name of Federal Cognizant or Oversight Agency for Audit

Check the appropriate box to indicate the name of the Federal cognizant or oversight agency for audit determined in accordance with § __.400(a) or (b) of Circular A-133.

PART II - FINANCIAL STATEMENTS

The auditor shall complete this section of the form.

INSTRUCTIONS FOR COMPLETION OF SF-SAC, REPORTING ON AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS - Continued

PART III - FEDERAL PROGRAMS

The auditor shall complete this section of the form.

• **Item 1 - Type of Audit Report on Major Program Compliance**

If the audit report for one or more major programs is other than unqualified, check boxes 2, 3, or 4, as applicable. For example, if the audit report on major program compliance for an auditee with three major programs includes an unqualified opinion for one program, a qualified opinion for the second program, and a disclaimer of opinion for the third program, then check boxes 2 and 4 but not box 1.

• **Item 2 - Dollar Threshold to Distinguish Type A and Type B Programs**

Enter the dollar threshold used to distinguish between Type A and Type B programs as defined in § __.520(b) of Circular A-133.

• **Item 3 - Low-Risk Auditee**

Indicate whether or not the auditee qualifies as a low-risk auditee under § __.530 of Circular A-133.

• **Item 4 - Audit Findings**

Indicate whether or not the audit disclosed any audit findings which the auditor is required to report under § __.510(a) of Circular A-133.

• **Item 5 - Federal Agencies Required to Receive the Reporting Package**

Check the appropriate box to indicate each Federal awarding agency required to receive a copy of the reporting package pursuant to § __.320(d) of Circular A-133. If no Federal awarding agency is required to receive a copy of the reporting package, mark "None."

• **Item 6 - Federal Awards Expended**

The information to complete columns (a), (b), and (c) shall be obtained from the Schedule of Expenditures of Federal Awards prepared by the auditee. It is important to note that Item 6 shall include the required information for each Federal program presented in the Schedule of Expenditures of Federal Awards (and notes thereto), i.e., not only Federal programs for which audit findings and questioned costs are reported. If additional space is required, photocopy page 3 and attach the additional page(s) to the form.

Column (a) - CFDA Number

Enter the number assigned to a Federal program in the Catalog of Federal Domestic Assistance (CFDA) or other identifying number when the CFDA information is not available. If the CFDA information is not available, enter the identifying number provided by the Federal awarding agency or pass-through entity. Individual programs within a cluster of programs shall be listed in the same level of detail as they are listed in the Schedule of Expenditures of Federal Awards.

Column (b) - Name of Federal Program

Enter the name of the Federal program. If no CFDA number is provided in column (a), enter the name of the Federal program and the Federal awarding agency or pass-through entity that provided the Federal award.

Column (c) - Amount of Federal Expenditures

Enter the amount of expenditures included in the Schedule of Expenditures of Federal Awards for each Federal program. It is important to note that amounts shall be provided for the value of Federal awards expended in the form of non-cash assistance, the amount of insurance in effect during the year, and loans or loan guarantees outstanding at year end, regardless of whether such amounts were presented in the Schedule of Expenditures of Federal Awards or in a note to the Schedule.

If additional space is required, photocopy page 3, attach additional page(s) to the form, and enter the total for all pages in the "Total Federal Awards Expended" block on the last page.

• **Item 7 - Audit Findings and Questioned Costs**

The information to complete columns (a), (b), (c), (d) and (e) shall be obtained from the Schedule of Findings and Questioned Costs prepared by the auditor. Audit findings and questioned costs that relate to more than one Federal program shall be presented in the form for each Federal program for which audit findings and questioned costs are reported in the auditor's Schedule of Findings and Questioned Costs. If additional space is required, photocopy page 3 and attach the additional page(s) to the form.

Column (a) - Major Program

Indicate whether or not the Federal program is a major program, as defined in § __.520 of Circular A-133.

Column (b) - Type of Compliance Requirement

Using the list provided on the form, enter the letter that corresponds to the type(s) of compliance requirements applicable to the audit findings and questioned costs reported for each Federal program. Mark all that apply or "None."

Column (c) - Questioned Costs

Enter the amount of reported questioned costs by Federal program. If no questioned costs were reported, enter N/A for "Not Applicable."

Column (d) - Internal Control Findings

Check the appropriate box, using the list provided on the form, that corresponds to the internal control findings that apply to the Federal program. Mark all that apply or "None reported."

Column (e) - Audit Finding Reference Numbers

Enter the audit finding reference number(s) for audit findings included in the Schedule of Findings and Questioned Costs. If no audit finding reference numbers exist, enter N/A for "Not Applicable."

EIN:

PART I GENERAL INFORMATION - Continued

8. Indicate whether the auditee has either a Federal cognizant or oversight agency for audit. (Mark (X) one box)

- 1 Cognizant agency 2 Oversight agency

9. Name of Federal cognizant or oversight agency for audit (Mark (X) one box)

- | | | | |
|--|--|---|--|
| 01 <input type="checkbox"/> African Development Foundation | 83 <input type="checkbox"/> Federal Emergency Management Agency | 16 <input type="checkbox"/> Justice | 08 <input type="checkbox"/> Peace Corps |
| 02 <input type="checkbox"/> Agency for International Development | 34 <input type="checkbox"/> Federal Mediation and Conciliation Service | 17 <input type="checkbox"/> Labor | 59 <input type="checkbox"/> Small Business Administration |
| 10 <input type="checkbox"/> Agriculture | 39 <input type="checkbox"/> General Services Administration | 43 <input type="checkbox"/> National Aeronautics and Space Administration | 96 <input type="checkbox"/> Social Security Administration |
| 11 <input type="checkbox"/> Commerce | 93 <input type="checkbox"/> Health and Human Services | 89 <input type="checkbox"/> National Archives and Records Administration | 19 <input type="checkbox"/> State |
| 94 <input type="checkbox"/> Corporation for National and Community Service | 14 <input type="checkbox"/> Housing and Urban Development | 05 <input type="checkbox"/> National Endowment for the Arts | 20 <input type="checkbox"/> Transportation |
| 12 <input type="checkbox"/> Defense | 03 <input type="checkbox"/> Institute for Museum Services | 06 <input type="checkbox"/> National Endowment for the Humanities | 21 <input type="checkbox"/> Treasury |
| 84 <input type="checkbox"/> Education | 04 <input type="checkbox"/> Inter-American Foundation | 47 <input type="checkbox"/> National Science Foundation | 82 <input type="checkbox"/> United States Information Agency |
| 81 <input type="checkbox"/> Energy | 15 <input type="checkbox"/> Interior | 07 <input type="checkbox"/> Office of National Drug Control Policy | 64 <input type="checkbox"/> Veterans Affairs |
| 66 <input type="checkbox"/> Environmental Protection Agency | | | <input type="checkbox"/> Other - Specify: |

PART II FINANCIAL STATEMENTS (To be completed by auditor)

1. Type of audit report (Mark (X) one box)

- 1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

2. Is a "going concern" explanatory paragraph included in the audit report? 1 Yes 2 No

3. Is a reportable condition disclosed? 1 Yes 2 No - SKIP to Item 5

4. Is any reportable condition reported as a material weakness? 1 Yes 2 No

5. Is a material noncompliance disclosed? 1 Yes 2 No

PART III FEDERAL PROGRAMS (To be completed by auditor)

1. Type of audit report on major program compliance

- 1 Unqualified opinion 2 Qualified opinion 3 Adverse opinion 4 Disclaimer of opinion

2. What is the dollar threshold to distinguish Type A and Type B programs § __ .520(b)?

\$

3. Did the auditee qualify as a low-risk auditee (§ __ .530)?

- 1 Yes 2 No

4. Are there any audit findings required to be reported under § __ .510(a)?

- 1 Yes 2 No

5. Which Federal Agencies are required to receive the reporting package? (Mark (X) all that apply)

- | | | | |
|--|--|---|--|
| 01 <input type="checkbox"/> African Development Foundation | 83 <input type="checkbox"/> Federal Emergency Management Agency | 16 <input type="checkbox"/> Justice | 08 <input type="checkbox"/> Peace Corps |
| 02 <input type="checkbox"/> Agency for International Development | 34 <input type="checkbox"/> Federal Mediation and Conciliation Service | 17 <input type="checkbox"/> Labor | 59 <input type="checkbox"/> Small Business Administration |
| 10 <input type="checkbox"/> Agriculture | 39 <input type="checkbox"/> General Services Administration | 43 <input type="checkbox"/> National Aeronautics and Space Administration | 96 <input type="checkbox"/> Social Security Administration |
| 11 <input type="checkbox"/> Commerce | 93 <input type="checkbox"/> Health and Human Services | 89 <input type="checkbox"/> National Archives and Records Administration | 19 <input type="checkbox"/> State |
| 94 <input type="checkbox"/> Corporation for National and Community Service | 14 <input type="checkbox"/> Housing and Urban Development | 05 <input type="checkbox"/> National Endowment for the Arts | 20 <input type="checkbox"/> Transportation |
| 12 <input type="checkbox"/> Defense | 03 <input type="checkbox"/> Institute for Museum Services | 06 <input type="checkbox"/> National Endowment for the Humanities | 21 <input type="checkbox"/> Treasury |
| 84 <input type="checkbox"/> Education | 04 <input type="checkbox"/> Inter-American Foundation | 47 <input type="checkbox"/> National Science Foundation | 82 <input type="checkbox"/> United States Information Agency |
| 81 <input type="checkbox"/> Energy | 15 <input type="checkbox"/> Interior | 07 <input type="checkbox"/> Office of National Drug Control Policy | 64 <input type="checkbox"/> Veterans Affairs |
| 66 <input type="checkbox"/> Environmental Protection Agency | | | 00 <input type="checkbox"/> None |
| | | | <input type="checkbox"/> Other - Specify: |

EIN:

PART III FEDERAL PROGRAMS - Continued		7. AUDIT FINDINGS AND QUESTIONED COSTS				
6. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR		Major program (a)	Type of compliance requirement ² (b)	Amount of questioned costs (c)	Internal control findings ³ (d)	Audit finding reference number(s) (e)
CFDA number ¹ (a)	Name of Federal program (b)					
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A 3 <input type="checkbox"/> C 2 <input type="checkbox"/> B	
TOTAL FEDERAL AWARDS EXPENDED →				\$		

IF ADDITIONAL LINES ARE NEEDED, PLEASE PHOTOCOPY THIS PAGE, ATTACH ADDITIONAL PAGES TO THE FORM, AND SEE INSTRUCTIONS

¹ Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available.
² Type of compliance requirement (Enter the letter(s) of all that apply to audit findings and questioned costs reported for each Federal program.)
 A. Activities allowed or unallowed
 B. Allowable costs/cost principles
 C. Cash management
 D. Davis - Bacon Act
 E. Eligibility
 F. Equipment and real property management
 G. Matching, level of effort, earmarking
 H. Period of availability of funds
 I. Procurement
 J. Program income
 K. Real property acquisition and relocation assistance
 L. Reporting
 M. Subrecipient monitoring
 N. Special tests and provisions
 O. None

³ Type of internal control findings (Mark (X) all that apply)
 A. Material weaknesses
 B. Reportable conditions
 C. None reported

Auditee: _____

Year Ended: _____

Checklist for an A-133 Program-Specific Audit

	<u>Yes</u>	<u>No</u>
1. Have we determined whether a program-specific audit guide is available, either by contacting the Office of Inspector General of the federal agency or other procedures? (§ ____.235(a))	_____	_____
2. When a program-specific audit guide is available, have we followed GAS and the guide? (§ _____.235(a))	_____	_____
3. When a program-specific audit guide is not available (§ _____.235(b)):		
a. Has the auditee prepared:		
i. Financial statement(s) for the federal program including, at a minimum, a schedule of federal program's expenditures and related notes?	_____	_____
ii. A summary schedule of prior audit findings?	_____	_____
iii. A corrective action plan?	_____	_____
b. Have we:		
i. Performed an audit of the financial statements in accordance with GAS?	_____	_____
ii. Obtained an understanding of internal control over the federal program and performed tests consistent with § _____.500(c) for a major program?	_____	_____
iii. Performed tests of compliance consistent with § _____.500(d) for a major program?	_____	_____
iv. Followed up on prior audit findings, performed procedures to assess the reasonableness of the summary schedule, and reported any material misrepresentations in accordance with § _____.500(e)?	_____	_____
c. Do the auditor's reports (§ _____.235(b)(4)):		
i. State that the audit was conducted in accordance with the program-specific requirements of OMB Circular A-133?	_____	_____

	<u>Yes</u>	<u>No</u>
ii. Express an opinion (or disclaimer) on the financial statements? (§ ____ .235(b)(4)(i))	_____	_____
iii. Include a report on internal control related to the federal program that described the scope of testing and results? (§ ____ .235(b)(4)(ii))	_____	_____
iv. Include a report on compliance, including an opinion (or disclaimer) on compliance with the laws, regulations, and provisions of contracts or grant agreements that could have a direct and material effect on the federal program? (§ ____ .235(b)(4)(iii))	_____	_____
v. Include a schedule of findings and questioned costs, including a summary of results in the required format? (§ ____ .235(b)(4)(iv))	_____	_____
 4. Report Submission		
a. Was the audit completed and reports submitted within the required time frame? (§ ____ .235(c)(1))	_____	_____
b. Are copies of the report available for public inspection, unless restricted by law or regulation?	_____	_____
c. When a program-specific audit guide is available (§ ____ .235(c)(2)):		
i. Did the auditee submit a copy of the data collection form and a copy of the required reporting to the federal clearinghouse?	_____	_____
ii. Did the auditee comply with the reporting requirements of the program-specific audit?	_____	_____
d. When a program-specific audit guide is not available (§ ____ .235(c)(3)):		
i. Does the reporting package include:		
(a) Financial statements including, at a minimum, a schedule of expenditures of federal awards?	_____	_____
(b) A summary schedule of prior audit findings?	_____	_____
(c) A corrective action plan?	_____	_____
(d) The auditor's report(s), including a schedule of findings and questioned costs?	_____	_____
ii. Was a copy of the data collection form and the reporting package submitted to the federal clearinghouse?	_____	_____
iii. When current- or prior-year audit findings are reported, did the auditee submit a copy of the reporting package for the federal awarding agency or to the pass-through entity, as appropriate?	_____	_____

Yes

No

iv. If the auditee is a subrecipient and there are no current- or prior-year findings related to federal awards from pass-through entities, did the auditee:

(a) Provide the required written notification, or

(b) Submit a copy of the reporting package to the pass-through entity?

5. Were other applicable sections complied with:

§ ____ .105

Definitions?

§ ____ .200

Audit requirements?

§ ____ .205

Basis for determining federal awards expended?

§ ____ .210

Subrecipient and vendor determinations?

§ ____ .215(a) and (b)

Relation to other audit requirements?

§ ____ .220

Frequency of audits?

§ ____ .225

Sanctions?

§ ____ .230

Audit costs?

§ ____ .300

Auditee responsibilities?

§ ____ .305

Auditor selection?

§ ____ .315

Audit findings follow-up?

§ ____ .320(f) through (j)

Report submission?

§ ____ .400

Responsibilities—federal agencies and pass-through entities?

§ ____ .405

Management decision?

§ ____ .510

Audit findings?

§ ____ .515

Audit working papers?

Prepared by _____

Date _____

Reviewed by _____

Date _____

Unqualified Opinion on the Financial Statement of a Federal Program in Accordance With the Program-Specific Audit Option Under OMB Circular A-133

Independent Auditor's Report

We have audited the accompanying schedule of expenditures of federal awards for the [identify the federal program] of Example Entity for the year ended June 30, 19X1. This financial statement is the responsibility of Example Entity's management. Our responsibility is to express an opinion on the financial statement of the program based on our audit.¹

We conducted our audit in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*,² issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

-
1. In many cases, the financial statements of the program will consist only of the schedule of expenditures of federal awards (and notes to the schedule), which is the minimum financial statement presentation required by section 235 of Circular A-133. If the auditee issues financial statements that consist of more than the schedule, this paragraph should be modified to describe the financial statements. Also refer to paragraph 11.10 of SOP 98-3 for a discussion of the possible necessity to issue a separate report to meet the reporting requirements of *Government Auditing Standards*.
 2. The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of *Government Auditing Standards*.

In our opinion, the schedule of expenditures of federal awards referred to above³ presents fairly, in all material respects, the expenditures of federal awards under the [*identify the federal program*] in conformity with generally accepted accounting principles.^{4, 5}

[*Signature*]

[*Date*]

-
3. If the auditee issues financial statements that consist of more than the schedule, this sentence should be modified to identify the results displayed in the financial presentation.
 4. The auditor should follow the guidance in SAS No. 62, *Special Reports*, when the auditee prepares the financial statement of the program in conformity with a basis of accounting other than GAAP.
 5. If a separate report is issued to meet the reporting requirements of *Government Auditing Standards* (see paragraph 11.10 of SOP 98-3), an additional paragraph should be added as follows: "In accordance with *Government Auditing Standards*, we have also issued our report dated [*date of report*] on our consideration of Example Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants."

Report on Compliance With Requirements Applicable to the Federal Program and on Internal Control Over Compliance in Accordance With the Program-Specific Audit Option Under OMB Circular A-133¹ (*Unqualified Opinion on Compliance and No Material Weaknesses [No Reportable Conditions Identified]*)²

[Addressee]

Compliance

We have audited the compliance of Example Entity with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to [identify the federal program] for the year ended June 30, 19X1. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Example Entity's management. Our responsibility is to express an opinion on Example Entity's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; the standards applicable to financial audits contained in *Government Auditing Standards*,³ issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on [identify the federal program] occurred. An audit includes examining, on a test basis, evidence

-
1. This is an example of a report on a program-specific audit under Circular A-133 when no federal audit guide applicable to the program being audited is available. When a federal audit guide applicable to the program is available, Circular A-133 requires that the auditor follow the reporting requirements of that federal audit guide (see paragraph 11.4 of SOP 98-3 for a discussion of the auditor's responsibility when a program-specific audit guide is not current).
 2. If issuing a qualified or adverse opinion on compliance, the auditor should modify the compliance section of this report to be consistent with the wording used in P/A-23 or in example 5 in SOP 98-3, appendix D, accordingly. If reporting reportable conditions, including material weaknesses, the auditor should modify the internal control section of this report to be consistent with the wording used in P/A-23.
 3. The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of *Government Auditing Standards*.

about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Example Entity's compliance with those requirements.

In our opinion, Example Entity complied, in all material respects, with the requirements referred to above that are applicable to its [*identify the federal program*] for the year ended June 30, 19X1. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 97-1 and 97-2*].⁴

Internal Control Over Compliance

The management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Example Entity's internal control over compliance with requirements that could have a direct and material effect on its [*identify the federal program*] in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be

4. When there are no such instances of noncompliance identified in the schedule of findings and questioned costs, the last sentence should be omitted.

detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, [*specify legislative or regulatory body*], and the federal awarding agency and pass-through entity. However, this report is a matter of public record and its distribution is not limited.⁵

[*Signature*]

[*Date*]

5. If the report is not a matter of public record, this sentence should be deleted.

