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## Auditing recipients of federal awards : practical guidance for applying OMB circular A-133 (with CD-ROM Practice aids included)

Venita M. Wood

Maryann Kasica

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A I C P A   P r a c t i c e   A i d   S e r i e s

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

**Practice Aids**

**S E C O N D   E D I T I O N**

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**AICPA**

Auditing Recipients of Federal Awards: Practical Guidance for Applying OMB Circular A-133   Practice Aids   SECOND EDITION

AICPA

## **Notice to Readers**

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**S E C O N D E D I T I O N**

Written by  
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Edited by  
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AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

**AICPA**

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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 auditors may find this questionnaire useful in helping to gain an understanding of the auditee's related policies and procedures. See *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement (Compliance Supplement)*, Part 3I, "Procurement and Suspension and Debarment." The questionnaire includes citations, when applicable, to the source of the requirement in Office of Management and Budget (OMB) Circular A-110, *Grants and Agreements with Institutions of Higher Education, Hospitals, and Other Non-Profit Organizations*.

#### **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 nonfederal 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. See the *Compliance Supplement*, appendixes I and II, for a matrix of the regulatory citations for the codifications by various departments and agencies of the provisions of 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 nonfederal 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 as codified by the federal awarding agency, OMB Circular A-110 (§\_\_\_.40 through §\_\_\_.48), and the terms of the award.



**P/A-1**

	<u>Yes</u>	<u>No</u>
<b>Procurement administration.</b> 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 and timely follow up of all purchases? (A-110, §.47)	_____	_____
3. Maintain written standards of conduct governing the awarding and administering of contracts? (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-110, §.42)	_____	_____
b. Prohibit soliciting or accepting gratuities, favors, or anything of monetary value other than an unsolicited item of nominal value? (A-110, §.42)	_____	_____
c. To the extent permitted by law, provide for penalties, sanctions, or other disciplinary actions for violations? (A-110, §.42)	_____	_____
4. Provide for a review of proposed procurements to avoid the purchase of unnecessary or duplicative items? (A-110, §.44(a)(1))	_____	_____
5. Analyze lease or buy alternatives and make other appropriate analyses to determine the most economical purchase? (A-110, §.44(a)(2))	_____	_____
6. Maintain sufficient records to detail the significant history of a procurement in excess of the small purchase threshold and include the following?		
a. Basis for contractor selection		
b. Justification for lack of competition when competitive bids or offers are not obtained		
c. Basis for award cost or price (A-110, §.46)	_____	_____
7. Have procedures to evaluate contractor performance and document, as appropriate, whether contractors have met the terms, conditions, and specifications of the contract? (A-110), §.47)	_____	_____
<b>Competition.</b> Does the entity—		
1. Conduct procurement transactions in a manner that provides full and open competition? (A-110, §.43)	_____	_____
2. Remain alert to organizational conflicts of interest as well as noncompetitive practices among contractors that may restrict or eliminate competition or otherwise restrain trade? (A-110, §.43)	_____	_____
3. 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)	_____	_____

	Yes	P/A-1 No
4. Allow products “equal” to “brand name” products to be offered? (A-110, §.44(a)(3)(iv))	_____	_____
5. Issue solicitations that incorporate clear and accurate descriptions of requirements and do not unduly restrict competition? (A-110, §.43 and §.44(a)(3))	_____	_____

**Procurement Methods.** Does the entity—

1. Use types of procurement instruments (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-110, §.44(c))	_____	_____
3. Award contracts to the bidder or offer or whose proposal is responsive to the solicitation and is most advantageous to the entity? (A-110, §.43)	_____	_____
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-110, §.44(e)(2))	_____	_____
6. Take affirmative steps to use small and minority firms, women’s business enterprises, and labor surplus area firms? (A-110, §.44(b))	_____	_____
7. Perform a cost or price analysis in connection with every procurement, including contract modifications? (A-110, §.45)	_____	_____
8. Make available to the awarding agency, upon request, technical specifications on proposed procurement in certain situations? (A-110, §.44(e))	_____	_____
9. Make procurement documents available for awarding agency pre-award review if—		
a. The entity’s procurement procedures or operations fail to comply with regulations? (A-110, §.44(e)(1))	_____	_____
b. The procurement is expected to exceed small purchase threshold and is—		
i. To be awarded by noncompetitive negotiation? (A-110, §.44(e)(2))	_____	_____
ii. To be awarded when only a single bid or offer was received? (A-110, §.44(e)(2))	_____	_____
iii. To specify a brand name product? (A-110, §.44(e)(3))	_____	_____

**P/A-1**

Yes

No

iv. To be awarded to other than the apparent low bidder under a sealed-bid procurement? (A-110, §.44(e)(4))

\_\_\_\_\_

\_\_\_\_\_

v. A proposed contract modification that changes the scope of the contract or increases the contract amount? (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-110, §.48(c))

\_\_\_\_\_

\_\_\_\_\_

2. Include in procurement contracts the contractual provisions required by the Common Rule and OMB Circular A-110, §.48?

\_\_\_\_\_

\_\_\_\_\_

Performed by \_\_\_\_\_ Date \_\_\_\_\_

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_

**New Client Evaluation for OMB Circular 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 an 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. \_\_\_\_\_

\_\_\_\_\_

**P/A-2**

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**

Yes      No

- |   |       |       |
|---|-------|-------|
| 1. Has a request for proposal been issued?  | _____ | _____ |
| 2. Is the request for one of the following?   |       |       |
| <i>a.</i> An annual audit   | _____ | _____ |
| <i>b.</i> A biennial audit  | _____ | _____ |
| 3. If the entity is requesting an audit in accordance with OMB Circular A-133, does it want the following?: |       |       |
| <i>a.</i> Single audit  | _____ | _____ |
| <i>b.</i> Program-specific audit  | _____ | _____ |

4. If the entity is requesting a single audit, does it want the following?:
  - 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 OMB Circular A-133 audit, is it required to have an OMB Circular A-133 audit? If yes, see Statement of Auditing Standards (SAS) No. 74, *Compliance Auditing Considerations in Audits of Governmental Entities and Recipients of Governmental Financial Assistance* (AICPA, *Professional Standards*, vol. 1, AU sec. 801), for guidance on communications regarding applicable audit requirements. \_\_\_\_\_
  
7. Does the entity meet the criteria for audit under the provisions of OMB Circular A-133? Specifically, is it a nonfederal 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 following general standards of *Government Auditing Standards* (GAS), also known as the Yellow Book?
  - 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 the following?
  - 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 \_\_\_\_\_

**P/A-2**

*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.) \_\_\_\_\_

11. Is the audit to be a joint audit with another auditor, such as a minority firm or governmental auditors? \_\_\_\_\_

**B. OMB Circular A-133 Information**

1. For federal awards, indicate the following:

*a.* The number of programs. \_\_\_\_\_

*b.* The total amount expended this fiscal year (or during each of the two fiscal years for an entity that receives a biennial audit). \_\_\_\_\_

*c.* The total amount passed through to subrecipients. \_\_\_\_\_

*d.* The newness and complexity of programs. \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

2. Is the entity the following?

*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.) Also, has the auditee—

*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? \_\_\_\_\_
5. Have we inquired or obtained information about the entity’s responsibilities for the following:
- 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 any of the following?
- a. State government \_\_\_\_\_
  - b. General-purpose local government \_\_\_\_\_
  - c. Special-purpose local government \_\_\_\_\_
  - d. Governmental college or university \_\_\_\_\_
  - e. Governmental hospital \_\_\_\_\_
  - f. Private-sector college or university \_\_\_\_\_
  - g. Private-sector hospital \_\_\_\_\_
  - h. Other not-for-profit entity \_\_\_\_\_
  - i. Other (specify) \_\_\_\_\_



**P/A-2**

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

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

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

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

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

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

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

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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	_____	_____	_____	_____
• Capital 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.

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13. Describe any unusual features of the accounting system.

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

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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.)

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**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 electronic data processing (EDP) equipment, and so forth.

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

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

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

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

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

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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.)

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

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

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10. Why is the entity considering changing auditors?

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

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

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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>OMB Circular A-133 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	_____	_____
12. That the financial statements are the responsibility of management	_____	_____
13. That, related to the financial statements, management also is responsible for the following:		
a. Establishing and maintaining effective internal control over financial reporting and proper accounting records	_____	_____
b. Selecting appropriate accounting principles	_____	_____
c. Safeguarding assets	_____	_____
d. Adjusting the financial statements to correct material misstatements and for affirming that the effects of any unadjusted audit differences	_____	_____



	<u>Yes</u>	<u>No</u>
accumulated during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate	_____	_____
e. Identifying and complying with laws, regulations, and the provisions of contracts and grant agreements	_____	_____
f. 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 the following:		
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 the following:		
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 the following:		
a. Compliance with laws, regulations, and the provisions of contracts and grant agreements related to federal programs	_____	_____
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 perform the following.		
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	_____	_____

	<u>Yes</u>	<u>No</u>
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 OMB Circular 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 OMB Circular 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 ( <i>reportable conditions</i> ) that come to our attention, and whether they are a material weakness in internal control over compliance.	_____	_____
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, the following: <ul style="list-style-type: none"> <li>• Our responsibility as auditors under generally accepted auditing standards (GAAS) and the GAS applicable to financial audits including responsibilities for testing and reporting on compliance with laws and regulations and internal control over financial reporting as well as the nature of any additional testing of compliance and internal control required by laws and regulations or otherwise requested, and whether the auditor is planning on providing opinions on compliance with laws and regulations and internal control over financial reporting</li> </ul>	_____	_____

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	<u>Yes</u>	<u>No</u>
<ul style="list-style-type: none"> <li>• Significant accounting policies</li> <li>• Management judgments and accounting estimates</li> <li>• Significant audit adjustments</li> <li>• Disagreements with management</li> <li>• Consultation by management with other accountants on significant matters</li> <li>• Difficulties encountered in performing the audit</li> <li>• Major issues discussed with management prior to our retention as auditors</li> </ul>	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>	<hr/> <hr/> <hr/> <hr/> <hr/> <hr/> <hr/>
19. That our audit does not provide a legal determination on the entity's compliance with federal program requirements	<hr/>	<hr/>
20. That we will communicate possible ways to improve the efficiency of the entity's operations or other recommendations concerning internal control	<hr/>	<hr/>
21. That we will report fraud or illegal acts directly to outside parties, when and if required to do so under GAAS and GAS	<hr/>	<hr/>
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	<hr/>	<hr/>
23. If applicable, a discussion of the involvement of other auditors (for example, a joint audit with a minority firm)	<hr/>	<hr/>
24. Our understanding that our reports on internal control and compliance are intended solely for the information of the audit committee, management, federal awarding agencies, and, if applicable, pass-through entities and is not intended to be and should not be used by any one other than these specified parties	<hr/>	<hr/>
25. Any assistance to be supplied by entity personnel, including preparation of schedules and analyses of accounts	<hr/>	<hr/>
26. That, at the conclusion of the engagement, we will request a management representation letter	<hr/>	<hr/>
27. 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	<hr/>	<hr/>
28. That, 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 (GAO) upon their request for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities	<hr/>	<hr/>
29. That we will notify the entity of any such request relating to the working papers	<hr/>	<hr/>

Yes                      No

- |   |       |       |
|---|-------|-------|
| 30. Our fee arrangement   | _____ | _____ |
| 31. The timetable for completing the engagement and issuing our reports unless unexpected factors are encountered   | _____ | _____ |
| 32. 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 | _____ | _____ |
| 33. That we will promptly inform the entity of changes in circumstances that affect the timetable or fee  | _____ | _____ |
| 34. Directions for the entity to indicate acceptance of the arrangements  | _____ | _____ |
| 35. In new engagements, that the entity should take the responsibility for obtaining the cooperation of the prior auditor   | _____ | _____ |

Prepared by \_\_\_\_\_ Date \_\_\_\_\_

Reviewed by \_\_\_\_\_ Date \_\_\_\_\_



**Illustrative Single Audit Engagement Letter<sup>1,2</sup>**

[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] (the Entity's) [identify the specific financial statements] as of and for the [year or period] ended [date] in accordance with generally accepted auditing standards (GAAS) 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 the 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 the 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 the Entity's compliance with those compliance requirements will be conducted in accordance with GAAS, 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 the following:

- Whether the 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
- Whether the Entity complied with the types of compliance requirements described in the *Compliance Supplement* that are applicable to each of the Entity's major federal programs

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<sup>1</sup> This illustration incorporates the requirements of AU section 310, *Establishing an Understanding With the Client* (AICPA, *Professional Standards*, vol. 1, AU sec. 310). Auditors should refer to AU section 310 and chapter 3 of SOP 98-3 for additional information on establishing an understanding with the auditee and to chapter 3 of *Government Auditing Standards* for communication.

<sup>2</sup> 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.

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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 the 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 the 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 the 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 the Entity's management. Encompassed in that responsibility are 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. The 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. The 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 the 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 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. 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.

Management is responsible for adjusting the financial statements to correct material misstatements and for affirming to us in its representation letter that the effects of any unadjusted audit differences accumulated by us during the current audit and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.



## **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 the Entity's management. Encompassed in that responsibility is the establishment and maintenance of internal control over compliance that provides reasonable assurance that the 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. The Entity also is responsible for making all financial records and related information available to us. Our responsibility is to express an opinion on whether the 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 the 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.<sup>3</sup>

We will 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. 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 the 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 the Entity's compliance with those requirements.

As part of our audit of compliance applicable to the Entity's major federal programs, we will 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. 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 the Entity's summary schedule of prior audit findings and report, as a current-

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

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, the following:

- Our responsibility as auditors under GAAS 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
  
- 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 the Entity's operations or other recommendations concerning internal control. Under GAAS 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 the Entity's internal control and compliance are intended solely for the information and use of the audit committee, management, and specified legislative or regulatory bodies, federal awarding agencies [*and pass-through entities, if applicable*] and are not intended to be and should not be used by anyone other than these specified parties.

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 the Entity's management to provide us with a representation letter that, among other things, will confirm the 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

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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 the 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 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 the 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 the 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: OMB Circular A-133 Single Audit**

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
<b>A. Understanding the Assignment</b>			
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 the following:			
• GAAS	_____	_____	_____
• GAS	_____	_____	_____
• OMB Circular A-133	_____	_____	_____
• <i>OMB Circular A-133 Compliance Supplement</i>	_____	_____	_____
• The applicable AICPA Audit and Accounting Guide	_____	_____	_____

	Performed by	Date	W/P reference
<ul style="list-style-type: none"> <li>• SOP 98-3, <i>Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards</i></li> </ul>	_____	_____	_____
2. In planning the audit, perform the following.			
a. Discuss with auditee management, the head of the organization, board of directors, or audit committee the type, scope, and timing of the audit, including the matters related to testing and reporting on compliance with laws and regulations and internal control over financial reporting required to be communicated by GAS as well as 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 as well as the use of the auditee's internal staff, if any.	_____	_____	_____
d. Determine the extent of involvement, if any, of consultants, other independent auditors, and specialists.	_____	_____	_____
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 OMB Circular A-133 audit will be a single audit or a program-specific audit.	_____	_____	_____

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
<i>m.</i> Evaluate whether the single audit will be an organization-wide audit or a series of individual audits of departments, agencies, and other organizational units.	_____	_____	_____
<i>n.</i> 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.	_____	_____	_____
<i>o.</i> Determine whether the auditee qualifies as a low risk auditee using the related Practice Aid provided in this practice guide and select the major federal programs for audit.	_____	_____	_____
<i>p.</i> Identify the compliance requirements that could have a direct and material effect on the major programs.	_____	_____	_____
<i>q.</i> Identify reporting requirements for state and local awards, if any.	_____	_____	_____
<b>3.</b> Consider whether the staff assigned to the engagement is qualified to serve on the engagement, including the following:			
<i>a.</i> Knowledge of GAAP, GAAS, GAS, OMB Circular A-133, and cost principles	_____	_____	_____
<i>b.</i> GAS-required continuing professional education	_____	_____	_____
<b>4.</b> Ensure that the firm has a current external quality control review as required by GAS.	_____	_____	_____
<b>B. Assigning Personnel to the Engagement</b>			
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:			
<i>a.</i> Engagement size and complexity	_____	_____	_____
<i>b.</i> Personnel availability	_____	_____	_____
<i>c.</i> Special expertise required	_____	_____	_____

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
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	_____	_____	_____
<b>C. Use of Other Auditors</b>			
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.	_____	_____	_____
<b>D. Independence</b>			
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.	_____	_____	_____
<b>E. Knowledge of the Entity's Business</b>			
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.	_____	_____	_____

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
<i>b.</i> Review the prior-year corrective action plan and summary schedule of prior audit findings.	_____	_____	_____
<i>c.</i> 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.	_____	_____	_____
<i>d.</i> Review the prior-year management letter.	_____	_____	_____
<i>e.</i> Review the firm's client correspondence file.	_____	_____	_____
<i>f.</i> Obtain and review minutes of meetings of the auditee's legislative bodies or boards of directors.	_____	_____	_____
<b>2.</b> 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 the following:			
<i>a.</i> Types of services	_____	_____	_____
<i>b.</i> Pass-through entities	_____	_____	_____
<i>c.</i> Subrecipients	_____	_____	_____
<i>d.</i> Cognizant or oversight agency for audit	_____	_____	_____
<i>e.</i> Service providers	_____	_____	_____
<i>f.</i> Related parties	_____	_____	_____
<i>g.</i> Service locations	_____	_____	_____
<i>h.</i> Compensation methods	_____	_____	_____
<b>3.</b> Engagement personnel should obtain a knowledge of matters affecting the industry in which the entity operates, such as the following:			
<i>a.</i> Economic conditions	_____	_____	_____
<i>b.</i> Government regulations	_____	_____	_____
<i>c.</i> Changes in technology	_____	_____	_____
<i>d.</i> Accounting practices common to the industry	_____	_____	_____
<i>e.</i> Competitive conditions	_____	_____	_____
<i>f.</i> Financial trends and ratios	_____	_____	_____



	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
4. Engagement personnel should consult, as appropriate, other sources of information that relate to the entity's business, such as the following:			
<i>a.</i> AICPA Audit and Accounting Guides	_____	_____	_____
<i>b.</i> AICPA Audit Risk Alerts	_____	_____	_____
<i>c.</i> Industry publications	_____	_____	_____
<i>d.</i> Financial statements of other entities in the industry	_____	_____	_____
<i>e.</i> Applicable legal and regulatory requirements	_____	_____	_____
<i>f.</i> Textbooks, periodicals, and individuals who are 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:			
<i>a.</i> The extent to which computer processes are used in each significant application	_____	_____	_____
<i>b.</i> The complexity of the entity's computer operations, including the use of an outside service center	_____	_____	_____
<i>c.</i> The organizational structure of the computer processing activities	_____	_____	_____
<i>d.</i> The availability of appropriate computer-generated reports	_____	_____	_____
<i>e.</i> 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.	_____	_____	_____

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
<b>F. Assessing Auditability</b>			
1. The adequacy of the accounting records should be assessed for the following factors:			
<i>a.</i> Whether transactions are described in sufficient detail to permit appropriate classification in financial statements and identification in the schedule of expenditures of federal awards	_____	_____	_____
<i>b.</i> 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	_____	_____	_____
<i>c.</i> Whether accounting records include the period in which the transactions occurred to permit the recording of transactions in the appropriate accounting period	_____	_____	_____
<i>d.</i> Whether all federal awards and the federal programs under which they were received are identified, as applicable, including the following:			
• 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 the following:			
<i>a.</i> Previous experience with the entity	_____	_____	_____
<i>b.</i> Inquiries of appropriate management, supervisory, and staff personnel	_____	_____	_____
<i>c.</i> Inspection of entity documents and records	_____	_____	_____
<i>d.</i> Observation of entity activities and operations	_____	_____	_____
3. Document our understanding of the entity's internal control for audit planning purposes in the working papers.	_____	_____	_____

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
4. Perform the following procedures regarding the integrity of management.			
<i>a.</i> Inquire of local attorneys, bankers, and other business leaders as to the entity's standing in the business community.			
<i>b.</i> Check the auditee's credit rating.			

**G. Engagement Letter**

Prepare an engagement letter using the checklist at P/A-3 and the illustrative engagement letter at P/A-4.

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**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.

--	--	--	--

If the control risk is assessed at maximum level for assertions related to material account balances, transaction classes, and disclosure components of financial statements when such assertions are significantly dependent on computerized information systems, GAS requires that the auditor document the basis for that conclusion in the working papers by addressing the effectiveness of the design and/or operation of controls, or reasons why it would be inefficient to test controls.

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	<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.			
<b>J. Assessment of Control Risk Over Compliance With Major Federal Programs</b>			
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.			

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
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.			
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.			
<b>K. Fraud, Illegal Acts, Material Misstatements, and Noncompliance</b>			
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 the following:			
<i>a.</i> The nature, timing, or extent of audit procedures			
<i>b.</i> Assigning staff			
<i>c.</i> Requiring appropriate levels of supervision			
5. If it is determined that significant risk of material misstatement and noncompliance exists, perform the following.			
<i>a.</i> Identify the details of specific transactions involving senior management and confirm those details with the appropriate external parties.			
<i>b.</i> Review the details of all material accounting entries prepared or approved by senior management.			

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
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:			
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 the following:			
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.	_____	_____	_____

P/A-5

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
<b>N. Documentation</b>			
1. Ensure that the audit planning working papers meet the documentation requirements of the following:			
<i>a.</i> GAAS	_____	_____	_____
<i>b.</i> GAS	_____	_____	_____
<i>c.</i> 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.

	<u>Yes</u>	<u>No</u>
<b>Subrecipient Indicators<sup>1</sup></b>		
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?	_____	_____

<b>Vendor Indicators<sup>1</sup></b>		
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?	_____	_____

---

<sup>1</sup> 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 4 of the practice guide and at chapter 9 of SOP 98-3.



**P/A-6**

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. There has been an unqualified opinion on the financial statements.* <sup>1</sup>	_____	_____	_____	_____
4. There has been an unqualified opinion on the schedule of expenditures of federal awards.*	_____	_____	_____	_____
5. There have been 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 \_\_\_\_\_

<sup>1</sup> However, a qualified or adverse opinion relating solely to a government's year 2000 note disclosure (as previously required by the Governmental Accounting Standards Board Technical Bulletin 98-1, *Disclosures About Year 2000 Issues*, as amended) does not preclude the government from qualifying as a low-risk auditee.



**Auditee:** \_\_\_\_\_

**Year Ended:** \_\_\_\_\_

**Worksheet: Risk-Based Approach for Determining Major Programs—§\_\_\_\_.520**

Note: For first-year audits, OMB Circular A-133, §\_\_\_\_.520(i) permits the auditor to elect to determine major programs to be all Type A programs plus any Type B programs needed to meet the percentage-of-coverage rule. A first-year audit is the first year that the audit is conducted in accordance with OMB Circular A-133 or the first year of a change of auditors. This exception cannot be used more than once every three years.

See the discussion of the risk-based approach in chapter 4 and a case study presented as a Practice Aid in this practice guide. See also chapter 7 of SOP 98-3.

Yes
No

**Step 1: Identify Type A and Type B Programs**

1. Determine the following.

*a.* Does the auditee’s total awards expended include loan and loan guarantee programs?

*b.* Do those loan or loan guarantee programs significantly affect the number or size of Type A programs?

(Note: If such programs significantly affect the number or size of Type A programs, the auditor considers them as Type A programs and excludes their values in determining other Type A programs. See §.520(b)(3).)

2. Determine the Type A program threshold by completing part *a*, *b*, or *c*.

*a.* For total federal awards expended that are less than or equal to \$100 million, perform the following.

(1) Multiply total awards expended by .03.

(                    ) X (.03) =

\$ \_\_\_\_\_

(2) Type A programs are those whose expenditures are \$300,000 or the amount calculated at part 2a(1), whichever is larger.

\$ \_\_\_\_\_

**P/A-8**

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

(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, perform the following.

(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.	_____	_____	_____

**Step 3: Risk Assess Type B Programs**

The auditor is not expected to perform risk assessments on small federal programs. Therefore, if there are low-risk Type A programs, the auditor is only required to perform risk assessments on Type B programs that exceed the threshold determined at part 1 as follows.

1. Determine the Type B program risk assessment threshold by completing *a* and *b*, or *c* and *d*.

- a.* If total federal awards expended are equal to or less than \$100 million, multiply total amount by .003.  
 (                    ) X (.003) = \$ \_\_\_\_\_
- b.* Perform risk assessment on Type B programs that exceed the larger of \$100,000 or the amount calculated at part 1*a*. \$ \_\_\_\_\_
- c.* If total federal awards expended are more than \$100 million, multiply total amount by .0003.  
 (                    ) X (.0003) = \$ \_\_\_\_\_
- d.* Perform risk assessment on Type B programs that exceed the larger of \$300,000 or the amount calculated at part 1*c*. \$ \_\_\_\_\_

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
<p>2. Risk assess Type B programs selected for risk assessment using the calculation at part 1<i>b</i> or 1<i>d</i>, as applicable, and the Type B program risk assessment checklist at P/A-11. (If Option 2 under Step 4 is selected, it is not necessary to identify more high-risk Type B programs than the number of low-risk Type A programs.)</p>			

<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
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**Step 4: Determine Major Programs**

1. Part 1: Type A Programs

- a. Identify all high-risk Type A programs as major programs based on the risk assessments performed in Step 2.

_____	_____	_____
-------	-------	-------

2. Part 2: High-Risk Type B Programs

a. Option 1

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

_____		
-------	--	--

_____		
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_____		
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b. Option 2

- (1) Calculate the 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.

_____		
-------	--	--

	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
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			
<i>a.</i> Calculate the required percentage-of-coverage as follows.			
(1) Calculate the total federal awards expended.	\$ _____		
(2) Calculate 50 percent of total federal awards expended.	\$ _____		
(3) If auditee is a low-risk auditee, calculate 25 percent of the total federal awards expended. (See P/A-7 for determining whether an entity qualifies as a low-risk auditee.)	\$ _____		
<i>b.</i> Calculate the aggregate federal awards expended for the programs to be selected as major programs in parts 1 through 3 of this step.	\$ _____		
<i>c.</i> 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.	_____	_____	_____
<i>d.</i> 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).	_____	_____	_____



**P/A-8**

**Performed by** \_\_\_\_\_ **Date** \_\_\_\_\_ **W/P reference** \_\_\_\_\_

**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 do the following?		
<i>a.</i> List individual federal programs by federal agency.	_____	_____
<i>b.</i> Show total federal awards expended for each individual federal program and the CFDA numbers or other federal identifying numbers.	_____	_____
<i>c.</i> List individual awards within a cluster of programs?	_____	_____
<i>d.</i> For research and development (R&D), list federal awards expended either by individual award, or by federal agency and major subdivision within the federal agency.	_____	_____
<i>e.</i> Identify, to the extent practical, the total amount provided to subrecipients from each federal program.	_____	_____
<i>f.</i> 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 the following?		
<i>a.</i> The value of noncash assistance	_____	_____
<i>b.</i> The amount of insurance in effect during the year	_____	_____
<i>c.</i> 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?	_____	_____

**P/A-9**

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 the following:			
a. The determination of when the award is expended (§___.205(a))	_____	_____	_____
b. The treatment of the following:			
(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	_____	_____	_____

**P/A-10**

	<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 the following:			
<i>a.</i> Audited financial statements	_____	_____	_____
<i>b.</i> Other knowledge obtained during the audit of the financial statements	_____	_____	_____
4. Consider obtaining written representations from management as to the completeness and accuracy of the schedule of expenditures of federal awards. (See P/A-14.)	_____	_____	_____
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 major program: Yes \_\_\_\_\_ No \_\_\_\_\_

**P/A-11**

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)]		
<i>a.</i> Reportable conditions in internal controls [.510(a)(1)] [Y]	_____	_____
<i>b.</i> Material noncompliance with laws, regulations, contracts, or grant agreements [.510(a)(2)][Y]	_____	_____
<i>c.</i> Known or likely questioned costs exceeding \$10,000 for a type of compliance requirement (when audited as major program) [.510(a)(3)]	_____	_____
<i>d.</i> Known questioned costs exceeding \$10,000 (when not audited as major program) [.510(a)(4)]	_____	_____
<i>e.</i> Known fraud [.510(a)(6)]	_____	_____
<i>f.</i> 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>OMB Circular A-133 Compliance Supplement</i> ? [.525(c)(2)]	_____	_____
6. Does the program have the following inherent risk factors? [.525(d)]:		
<i>a.</i> Complex program requirements [.525(d)(1)]	_____	_____
<i>b.</i> Many or large contracts for goods and services [.525(d)(1)]	_____	_____
<i>c.</i> Eligibility requirements [.525(d)(1)]	_____	_____
<i>d.</i> Significant payroll costs with time and effort reporting [.525(d)(1)]	_____	_____
<i>e.</i> New or significant changes in regulations [.525(d)(2)]	_____	_____
<i>f.</i> First or last year of the program at the auditee [.525(d)(3)]	_____	_____



**P/A-11**

	<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)?	_____	_____
<b>Conclusion: Program is considered a high-risk Type A program</b>	<b>_____</b>	<b>_____</b>

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 OMB 133 Compliance Supplement? [.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)]	_____	_____

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	<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)?	_____	_____
<b>Conclusion: Program is considered a high-risk Type B program</b>	<u>_____</u>	<u>_____</u>

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 chapter 5 of *Government Auditing Standards*.

	<u>Yes</u>	<u>No</u>
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. Has evidence of any of the following failures in the operation of internal control come to our attention?		
a. Failure of identified controls in preventing or detecting misstatements of accounting information	_____	_____
b. Any system failure to provide complete and accurate output consistent with the entity's control objectives because of the misapplication of control procedures	_____	_____

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

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	<u>Performed by</u>	<u>Date</u>	<u>W/P reference</u>
7. Report as a current-year finding instances in which 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 (see P/A-14).	_____	_____	_____
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. This checklist is based on the suggested representations provided in chapter 6 of SOP 98-3. (Suggested representations related to the financial statement audit are provided in the AICPA Audit and Accounting Guide *Audits of State and Local Governmental Units*.) AU section 333, *Management Representations* (AICPA, *Professional Standards*, vol. 1, AU sec. 333), requires the auditor to obtain written representations from management. AU section 333.13 and SOP 98-3, chapter 6, 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 OMB Circular 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.	_____	_____



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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. \_\_\_\_\_
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 OMB Circular A-133. \_\_\_\_\_
- 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 Representations<sup>1</sup>**[Date]<sup>2</sup>

[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, 200X, 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.
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

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<sup>1</sup> 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.

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

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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 OMB Circular 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, 200X. 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 whether they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of OMB Circular 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, 200X, 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, 200X, 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>
<b>Audit Reports</b>		
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 January 1, 1987, and is 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 July 1, 1992, and January 1, 1995	_____	_____
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 on 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	_____	_____
f. A statement that an audit includes the following:		
• 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?	_____	_____



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	<u>Yes</u>	<u>No</u>
<i>g.</i> A statement that the auditor believes that the audit provides a reasonable basis for his or her opinion?	_____	_____
<i>h.</i> 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 generally accepted accounting principles; 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>i.</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> which includes a statement that the separate report is an integral part of an audit performed in accordance with <i>Government Auditing Standards</i> and should be read in conjunction with the report on the financial statements in considering the results of the audit. If this reporting is included in the report on the financial statements, this reference is not required.	_____	_____
<i>j.</i> 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.	_____	_____
<i>k.</i> A statement that the accompanying supplementary information, including the schedule of expenditures of federal awards required by OMB Circular A-133, is presented for purposes of additional analysis and is not a required part of the financial statements?	_____	_____
<i>l.</i> 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?	_____	_____
<i>m.</i> The manual or printed signature of the auditor's firm?	_____	_____
<i>n.</i> 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	_____	_____
f. If applicable, a statement that certain immaterial instances of noncompliance were communicated to management in a separate letter	_____	_____
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	_____	_____

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	<u>Yes</u>	<u>No</u>
<i>i.</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	_____	_____
<i>j.</i> 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	_____	_____
<i>k.</i> The definition of a material weakness	_____	_____
<i>l.</i> 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 (If there are no reportable conditions noted, a statement is made that no material weaknesses were noted.)	_____	_____
<i>m.</i> If applicable, a statement that other matters involving the internal control over financial reporting were communicated to management in a separate letter	_____	_____
<i>n.</i> A separate paragraph at the end of the report stating that the report is intended solely for the information and use of the audit committee, management, specified legislative or regulatory bodies, federal awarding agencies, and (if applicable) pass-through entities and is not intended to be and should not be used by anyone other than these specified parties <sup>1</sup>	_____	_____
<i>o.</i> The manual or printed signature of the auditor's firm	_____	_____
<i>p.</i> The date of the auditor's report	_____	_____
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 OMB Circular A-133 contain the following elements? (See illustrative reports at P/A-22 and P/A-23.)		
<i>a.</i> 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	_____	_____

<sup>1</sup> This paragraph conforms to Statement on Auditing Standards (SAS) No. 87, *Restricting the Use of an Auditor's Report* (AICPA, *Professional Standards*, vol. 1, AU sec. 532). See SAS No. 87 for additional guidance on restricted-use reports.

	<u>Yes</u>	<u>No</u>
<i>b.</i> 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	_____	_____
<i>c.</i> 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	_____	_____
<i>d.</i> A statement that the audit of compliance was conducted in accordance with GAAS, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and A-133	_____	_____
<i>e.</i> 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	_____	_____
<i>f.</i> 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	_____	_____
<i>g.</i> A statement that the auditor believes that the audit provides a reasonable basis for the auditor's opinion?	_____	_____
<i>h.</i> A statement that the audit does not provide a legal determination on the auditee’s compliance with those requirements	_____	_____
<i>i.</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 following:	_____	_____
• 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)	_____	_____
<i>j.</i> 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	_____	_____

	<u>Yes</u>	<u>No</u>
<i>k.</i> If applicable, a statement that the results of the auditing procedures disclosed instances of noncompliance that are required to be reported in accordance with OMB Circular A-133 and a reference to the schedule of findings and questioned costs in which they are described	_____	_____
<i>l.</i> 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	_____	_____
<i>m.</i> 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 OMB Circular A-133	_____	_____
<i>n.</i> If applicable, a statement that reportable conditions were noted and the definition of a reportable condition	_____	_____
<i>o.</i> 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)	_____	_____
<i>p.</i> 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	_____	_____
<i>q.</i> The definition of a material weakness	_____	_____
<i>r.</i> 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 separate paragraph at the end of the report stating that the report is intended solely for the information and use of the audit committee, management, specified legislative or regulatory bodies, federal awarding agencies, and (if applicable) pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. <sup>2</sup>	_____	_____
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 the following:		
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 OMB Circular A-133, including the following:		
(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	_____	_____

<sup>2</sup> See footnote 1.

**P/A-16**

	<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 to the following?		
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. 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 OMB Circular A-133? (A-133 § \_\_.500)

\_\_\_\_\_

\_\_\_\_\_

***Quality Control***

1. Have we had an external quality control review within the last 3 years? (GAS 3.33)
2. Have we provided our most recent external quality control review report to the auditee? (GAS 3.36)

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_



	<u>Yes</u>	<u>No</u>
<b>Fieldwork Standards</b>		
<b><i>Planning and Supervision</i></b>		
1. Did we communicate during planning to the auditee, the audit committee and to individuals with whom we contracted:		
a. Our responsibilities in a financial statement audit, including the responsibilities for testing and reporting on internal controls and compliance with laws and regulations?	_____	_____
b. The nature of any additional testing of internal controls and compliance required by A-133 and by other laws and regulations (GAS 4.6.3 through 4.6.9)	_____	_____
c. Documentation of that communication	_____	_____
2. 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?	_____	_____
3. Did we prepare an audit program? (AU 311.05)	_____	_____
4. Did we consider the effect of computer processing on the audit? (AU 311.09)	_____	_____
5. Did we perform analytical procedures? (AU 329.03—329.06)	_____	_____
6. Was adequate follow-up performed on prior audit findings and recommendations? (A-133 § ____.500(a); GAS 4.10-4.11)	_____	_____
7. Were procedures performed to assess the reasonableness of the summary schedule of prior audit findings? (A-133 § ____.500(e))	_____	_____
8. 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)	_____	_____
9. 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))	_____	_____
10. Did we follow the guidance in SAS No. 82, <i>Consideration of Fraud in a Financial Statement Audit</i> ? (AICPA, <i>Professional Standards</i> , vol. 1, AU sec. 316).	_____	_____
11. If applicable, did we communicate with the predecessor auditor? (AU 315)	_____	_____
12. If applicable, did we comply with requirements relative to the use of internal auditors? (AU 322.01-322.11)	_____	_____

- |  | Yes   | No    |
|--|-------|-------|
| 13. Did we provide adequate supervision throughout the audit? (AU 311.11)  | _____ | _____ |
| 14. 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? | _____ | _____ |
| 15. 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) | _____ | _____ |
| 2. Do we have adequate documentation of the following?  |       |       |
| 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 following levels? |       |       |
| a. Financial statement (GAS 4.21-4.22)   | _____ | _____ |
| b. Federal program (A-133 § __.500(c))   | _____ | _____ |
| 2. Did we document our understanding, procedures performed, assessed level of control risk, and conclusions at the following levels?   |       |       |
| a. Financial statement (GAS 4.21-4.30)   | _____ | _____ |
| b. Federal program (A-133 § __.500(c))   | _____ | _____ |
| 3. If applicable, were reportable conditions and material weaknesses disclosed in the report(s)? (GAS 5.26-5.28; 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)) | _____ | _____ |
|--|-------|-------|

**P/A-17**

	<u>Yes</u>	<u>No</u>
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)	_____	_____

**A-133 Audits**

***Audit Requirements***

1. Has the auditee complied with the audit requirements of A-133? (§___.200)	_____	_____
2. Has the auditee complied with the guidelines for determining when an award is expended and for calculating the value of federal awards? (A-133 §___.205)	_____	_____

***Reporting Requirements***

1. Did we follow the reporting requirements of GAS in relation to the financial statements? (GAS 5.1-5.3)	_____	_____
2. Does our report on the financial statements include all basic elements indicated in P/A-16 of this practice guide?	_____	_____
3. Does our report on compliance and internal control over financial reporting include all basic elements indicated in P/A-16 of this practice guide?	_____	_____
4. Does our report on compliance with requirements applicable to each major program and internal control over compliance include all basic elements as indicated in P/A-16 of this practice guide?	_____	_____
5. Do our reports include a schedule of findings and questioned costs, including a summary of auditor's results with all the required elements?	_____	_____
6. Have we reported audit findings for all conditions that are required to be so reported by OMB Circular A-133 §___.510?	_____	_____
7. Do the audit findings include all required information elements? (A-133 §___.510)	_____	_____
8. If part of the audit was performed by other auditors, did we make appropriate reference to their work in the auditor's reports?	_____	_____
9. Did we complete the appropriate sections of the Data Collection Form? (A-122 §___.320(b)(3))	_____	_____

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

Yes

No

\_\_\_\_\_

**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? (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 completed the following?

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

b. Perform testing as planned.

c. Evaluate 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 perform the following?

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.

\_\_\_\_\_

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\_\_\_\_\_

**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 *OMB Circular A-133 Compliance Supplement* are affected by changes in laws, regulations, and the provisions of contracts or grants agreements?

3. For programs not in the *OMB Circular A-133 Compliance Supplement*, have we appropriately identified the applicable compliance requirements?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

	<u>Yes</u>	<u>No</u>
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?	_____	_____
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>OMB Circular A-133 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 Entity<sup>1</sup>**

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, 200X, 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<sup>2</sup> and the standards applicable to financial audits contained in *Government Auditing Standards*,<sup>3</sup> 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, 200X, 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.<sup>3</sup>

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. That report is an integral part of an audit performed in accordance with

<sup>1</sup> 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.

<sup>2</sup> In SAS No. 93, *Omnibus Statement on Auditing Standards—2000*, the Auditing Standards Board amended SAS No. 58, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 508), to provide that the auditor include a reference to the United States of America as the country of origin of the accounting principles used to prepare the financial statements and of the auditing standards the auditor followed in performing the audit. If that option is elected, this phrase would be changed to "...auditing standards generally accepted in the United States," and the last sentence of the third paragraph would be changed to "...accounting principles generally accepted in the United States."

<sup>3</sup> The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of *Government Auditing Standards*.

*Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.<sup>4</sup>

The accompanying schedule of expenditures of federal awards<sup>5</sup> 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.<sup>6</sup>

[*Signature*]

[*Date*]

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<sup>4</sup> 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 OMB Circular A-133. See note 4 in P/A 22 for additional guidance.

<sup>5</sup> 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.

<sup>6</sup> 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 Organization<sup>1</sup>**

Independent Auditor's Report

[Addressee]

We have audited the accompanying statement of financial position of [Example NFP] (the NFP) as of June 30, 200X, and the related statements of activities and cash flows<sup>2</sup> for the year then ended. These financial statements are the responsibility of the 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<sup>3</sup> and the standards applicable to financial audits contained in *Government Auditing Standards*,<sup>4</sup> 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 the NFP as of June 30, 200X, and the changes in its net assets and its cash flows for the year then ended in conformity with generally accepted accounting principles.<sup>5</sup>

In accordance with *Government Auditing Standards*, we have also issued our report dated [date of report] on our consideration of the NFP's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance

<sup>1</sup> 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.

<sup>2</sup> 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."

<sup>3</sup> In SAS No. 93, *Omnibus Statement on Auditing Standards—2000*, the Auditing Standards Board amended SAS No. 58, *Reports on Audited Financial Statements* (AICPA, *Professional Standards*, vol. 1, AU sec. 508), to provide that the auditor include a reference to the United States of America as the country of origin of the accounting principles used to prepare the financial statements and of the auditing standards the auditor followed in performing the audit. If that option is elected, this phrase would be changed to "...auditing standards generally accepted in the United States," and the last sentence of the third paragraph would be changed to "...accounting principles generally accepted in the United States."

<sup>4</sup> The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of *Government Auditing Standards*.

<sup>5</sup> See footnote 3.



with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit<sup>6</sup>

The accompanying schedule of expenditures of federal awards<sup>7</sup> 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.<sup>8</sup>

[Signature]

[Date]

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<sup>6</sup> 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 OMB Circular A-133. See note 4 in P/A-22 for additional guidance

<sup>7</sup> 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, *Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents* (AICPA, *Professional Standards*, vol. 1, AU sec. 551), provides useful guidance.

<sup>8</sup> 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, AU Section 551.09-.11 and 551.13-.14).

**Report on Compliance and on Internal Control Over Financial Reporting<sup>1</sup>  
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]*)<sup>2</sup>**

[Addressee]

We have audited the financial statements of [Example Entity] (the Entity) as of and for the year ended June 30, 200X, and have issued our report thereon dated August 15, 200X.<sup>3</sup> We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*,<sup>4</sup> issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the 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 are required to be reported under *Government Auditing Standards*.<sup>5</sup>

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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

<sup>1</sup> See chapter 4, section "Control Objectives," of SOP 98-3, *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards*, for a description of internal control over financial reporting.

<sup>2</sup> 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.

<sup>3</sup> 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).

<sup>4</sup> The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of *Government Auditing Standards*.

<sup>5</sup> See paragraphs 5.18 and 5.19 of *Government Auditing Standards* for the criteria for reporting. 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, 200X." 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.

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.<sup>6</sup>

This report is intended solely for the information and use of the audit committee, management, [*specify legislative or regulatory body*], and federal awarding agencies and pass-through entities<sup>7</sup> and is not intended to be and should not be used by anyone other than these specified parties.<sup>8</sup>

[*Signature*]

[*Date*]

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<sup>6</sup> 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, 200X." 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.

<sup>7</sup> 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 solely for the information and use of the audit committee, management, and [*specify legislative or regulatory body*] and is not intended to be and should not be used by anyone other than these specified parties."

<sup>8</sup> This paragraph conforms to SAS No. 87, *Restricting the Use of an Auditors Report* (AICPA, *Professional Standards*, vol. 1, AU sec. 532). See SAS No. 87 for additional guidance on restricted-use reports.

**Report on Compliance and on Internal Control Over Financial Reporting<sup>1</sup>  
Based on an Audit of Financial Statements Performed in Accordance With  
Government Auditing Standards (Reportable Instances of Noncompliance and  
Reportable Conditions Identified)<sup>2</sup>**

[Addressee]

We have audited the financial statements of [Example Entity] (the Entity) as of and for the year ended June 30, 200X, and have issued our report thereon dated August 15, 19X1.<sup>3</sup> We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*,<sup>4</sup> issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the 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 instances of noncompliance that are required to be reported under *Government Auditing Standards*<sup>5</sup> 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, 0X-2 and 0X-5].<sup>6</sup>

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the 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

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<sup>1</sup> See chapter 4, section "Control Objectives," of SOP 98-3, *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards*, for a description of internal control over financial reporting.

<sup>2</sup> 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.

<sup>3</sup> 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).

<sup>4</sup> The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of *Government Auditing Standards*.

<sup>5</sup> See chapter 5 of *Government Auditing Standards* for the criteria for reporting.

<sup>6</sup> If the auditor has issued a separate letter to management to communicate matters that do not meet the criteria for reporting in chapter 5 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, 200X." 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.

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 the 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, 0X-1, 0X-4, and 0X-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 conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.<sup>7</sup>

This report is intended solely for the information and use of the audit committee, management, [*specify legislative or regulatory body*], and federal awarding agencies and pass-through entities<sup>8</sup> and is not intended to be and should not be used by anyone other than these specified parties.<sup>9</sup>

[*Signature*]

[*Date*]

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<sup>7</sup> 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, 0X-1 and 0X-8*] to be material weaknesses."

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, 200X." 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 chapter 5 of *Government Auditing Standards* which indicates that communications to "top" management should be referred to.

<sup>8</sup> If this report is issued for an audit that is not subject to OMB Circular A-133, this sentence should be modified as follows: "This report is intended solely for the information and use of the audit committee, management, and [*specify legislative or regulatory body*] and is not intended to be and should not be used by anyone other than these specified parties." 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.

<sup>9</sup> This paragraph conforms to SAS No. 87, *Restricting the Use of an Auditors Report* (AICPA, *Professional Standards*, vol. 1, AU sec. 532). See SAS No. 87 for additional guidance on restricted-use reports.

**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])<sup>1</sup>**

[Addressee]

Compliance

We have audited the compliance of [Example Entity] (the 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, 200X. 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 the Entity's management. Our responsibility is to express an opinion on the 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*,<sup>2</sup> 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 the 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 the Entity's compliance with those requirements.

In our opinion, the 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, 200X. 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, OX-3 and OX-6].<sup>3</sup>

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<sup>1</sup> 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.

<sup>2</sup> The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of *Government Auditing Standards*.

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

Internal Control Over Compliance

The management of the 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 the 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 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.<sup>4</sup>

This report is intended solely for the information and use of the audit committee, management, [*specify legislative or regulatory body*], and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.<sup>5</sup>

[*Signature*]

[*Date*]

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<sup>4</sup> As noted in note 4 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, 200X, and have issued our report thereon dated August 15, 200X. 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 6 of P/A-18 for additional guidance.

<sup>5</sup> This paragraph conforms to SAS No. 87, *Restricting the Use of an Auditors Report* (AICPA, *Professional Standards*, vol. 1, AU sec. 532). See SAS No. 87 for additional guidance on restricted-use reports.

**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*)<sup>1</sup>**

[Addressee]

Compliance

We have audited the compliance of [Example Entity] (the 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, 200X. The 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 the Entity's management. Our responsibility is to express an opinion on the 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*,<sup>2</sup> 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 the 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 the Entity's compliance with those requirements.

As described in item [list the reference numbers of the related findings, for example, 0X-10] in the accompanying schedule of findings and questioned costs, the 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 the Entity to comply with the requirements applicable to that program.

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<sup>1</sup> 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.

<sup>2</sup> 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, except for the noncompliance described in the preceding paragraph, the 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, 200X.<sup>3</sup>

Internal Control Over Compliance

The management of the 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 the 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 the 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, 0X-7, 0X-8, and 0X-9*].

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 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.<sup>4</sup>

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<sup>3</sup> 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, 0X-3 and 0X-6*]."

<sup>4</sup> 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, 00-1 and 00-8*] to be material weaknesses."

As noted in note 4 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:

This report is intended solely for the information and use of the audit committee, management, [*specify legislative or regulatory body*], and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.<sup>5</sup>

[*Signature*]

[*Date*]

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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, 200X, and have issued our report thereon dated August 15, 200X. 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 6 of P/A-18 for additional guidance.

<sup>5</sup> This paragraph conforms to SAS No. 87, *Restricting the Use of an Auditors Report* (AICPA, *Professional Standards*, vol. 1, AU sec. 532). See SAS No. 87 for additional guidance on restricted-use reports.



**Data Collection Form**

Note: The data collection form and instructions included in this practice aid apply to reports for audit periods ending *before January 1, 2001*. The OMB issued a revised data collection form and instructions to report the results of OMB Circular A-133 audits for audit periods ending on or after January 1, 2001. Users of this guide should consult the FAC Internet site listed in the appendix to this practice aid's section of this guide for further information about the data collection form and related instructions, noting the dates of audit reporting periods to which it applies.

*[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 (the Circular), "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.

The Circular (§\_\_ 320(b)) requires auditees to submit a completed Form SF-SAC (the form), along with other specified reports, to the Federal clearinghouse designated by OMB (currently the U.S. Bureau of the Census). Auditees are also required to send a copy of the reporting package (or written notification of no findings (§\_\_ 320(e))) to any pass-through entity from which they receive Federal funds. Submissions to a pass-through entity should not include the form.

**SUBMISSION TO FEDERAL CLEARINGHOUSE**

Only an approved version of the form will be accepted. This means: an original or photocopy of the form, or a document produced from the approved word processing templates available at the website below. The form must be signed and dated by both the auditee and auditor. Submission of anything other than a complete form and reporting package will not be accepted.

**WHO TO CONTACT WITH QUESTIONS**

For audit related questions, please contact the Federal awarding agency involved or the auditee's Federal cognizant or oversight agency. Appendix III of the Compliance Supplement contains Federal agency contact information for A-133 audits.

For questions concerning the submission process or the form, contact the Federal Audit Clearinghouse (1.888.222.9907). Information can also be found on the internet (<http://harvester.census.gov/sac>).

**DESCRIPTION OF FORM**

**PART I - GENERAL INFORMATION**

The auditee shall complete this section (except Items 4 and 7) and sign and date the certification statement provided in Item 6 (g).

• **Item 1 - Fiscal Year Ending Date For This Submission**

Enter the last day of the fiscal period covered by the audit.

• **Item 2 - Type of Circular A-133 Audit**

Check the appropriate box. §\_\_ 200 of the Circular 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 (excluding 12 and 24) covered in the space provided.

• **Item 4 - Date Received by Federal Clearinghouse**

Skip this item (Federal Government use only).

• **Item 5 - Employer Identification Number (EIN)**

**(a) Auditee EIN**

Enter the auditee EIN, which is the 9-digit 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 Statewide audit covers many departments, each of which may have its own separate EIN.) If yes, indicate the principal EIN under 5 (a).

• **Item 6 - Auditee Information**

**(a-f)** Enter auditee information.

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

**FORMS WITHOUT ALL ITEMS COMPLETED WILL BE RETURNED TO THE AUDITEE**

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

• **Item 7 – Auditor Information**

The auditor shall complete this item.

(a-f) Enter the name of the auditor that conducted the audit in accordance with the Circular. 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 lead or coordinating auditor shall provide their information in item 7 (a-f) and attach a sheet to the form with the same information about other auditors.

(g) The auditor listed in Part I, Item 7 (a) shall be the same auditor that signs the auditor statement. Additional auditors may sign the form, but only the first name listed will be entered into the database.

• **Item 8 – Federal Cognizant or Oversight Agency for Audit**

Check the appropriate box. Auditees expending more than \$25 million a year have a Federal cognizant agency. Auditees expending less than \$25 million a year have a Federal oversight agency.

• **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 the Circular. This will most often be the one Federal awarding agency that provides the predominant amount of direct funding. State and/or other pass-through entities should not be listed. Cognizant assignments are established every 5 years.

**PART II – FINANCIAL STATEMENTS**

The auditor shall complete this section of the form. All information for this section should be obtained from the audit reporting on the financial statements only.

**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 on all major program compliance is unqualified, check box 1. 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 1 and 3.

• **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 the Circular. The dollar threshold must be \$300,000 or higher. Please round to the nearest dollar.

• **Item 3 – Low-Risk Auditee**

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

• **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 the Circular A-133. If marked Yes, the answers for Part III, Item 7 must reflect the findings. If marked No, the answer for Part III, Item 7 must not show any findings.

• **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 the Circular. A Federal agency should be marked only if the schedule of findings and questioned costs disclosed audit findings relating to Federal awards that the Federal awarding agency provided directly OR the summary schedule of prior audit findings reported the status of any audit findings relating to Federal awards that Federal awarding agency provided directly. If no Federal awarding agency is required to receive a copy of the reporting package, mark "None." Note that the auditee must send the Clearinghouse one reporting package for each Federal agency selected in this question, plus one archival reporting package.

• **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. 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), regardless of whether audit findings were reported. If additional space is required, photocopy page 3 and attach the additional page(s) to the form, and enter the total for all pages in the "Total Federal Awards Expended" block on the last page.

**FORMS WITHOUT ALL ITEMS ANSWERED WILL BE RETURNED TO THE AUDITEE**

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

**Column (a) - CFDA Number**

Enter the number assigned to the Federal program in the Catalog of Federal Domestic Assistance (CFDA). Consult the Federal awarding agency or pass-through entity to obtain this number.

For research and development programs that do not have a CFDA number, enter the Federal agency's two-digit prefix (as listed in Appendix 1) followed by a period and the letters "RD". For example, an HHS research program would be entered as "93.RD".

For other programs that do not have a CFDA number, enter only the Federal agency's two-digit prefix (as listed in Appendix 1). For programs with contract numbers, you may follow the two-digit prefix with a period and the contract number. For example, an HHS program with a contract number would be entered as "93.999999999".

**Column (b) - Name of Federal Program**

Enter the name of the Federal program.

**Column (c) - Amount of Federal Expenditures**

Enter the amount of expenditures included in the Schedule of Expenditures of Federal Awards (Schedule) 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 or in a note to the Schedule. Please round to the nearest dollar.

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

The rows of Item 7 directly correspond to matching rows in Item 6. 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. If the Schedule of Findings and Questioned Costs does not provide information for a specific row and if there are no audit findings, questioned costs, or internal control findings, the auditor should mark O, N/A, C, and N/A for items (b),(c),(d), and (e), respectively.

Please note that Part III, Item 4 and Part III, Item 7 are directly related. If Item 4 indicates findings, then Item 7 must indicate findings. If Item 4 indicates no findings, then all items in Item 7 must indicate no findings.

**Column (a) - Major Program**

Indicate whether or not the Federal program is a major program, as defined in §\_520 of the Circular.

**Column (b) - Type of Compliance Requirement**

Using the list provided on the form in footnote 2 on page 3, enter the letters that correspond to the type(s) of compliance requirements applicable to the audit findings and questioned costs reported for each Federal program. Do not list all compliance requirements that were tested. If there were no audit findings or questioned costs, enter O for "None".

**Column (c) - Questioned Costs**

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

**Column (d) - Internal Control Findings**

Check the appropriate box, using the list provided on the form in footnote 3 on page 3, that corresponds to the internal control findings that apply to the Federal program. If all findings for the program are Material Weaknesses, enter A. If findings for the program include some Reportable Conditions that are Material Weaknesses and some Reportable Conditions that are not, enter A and B. If findings for the program include only Reportable Conditions that are not Material Weaknesses, enter B. If there are no findings for the program, enter C for "None Reported."

**Column (e) - Audit Finding Reference Number(s)**

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

**FORMS WITHOUT ALL ITEMS ANSWERED WILL BE RETURNED TO THE AUDITEE**

**APPENDIX 1**  
**Federal Agency/Two-Digit Prefix List**

<b>01</b> African Development Foundation	<b>09</b> Legal Services Corporation
<b>02</b> Agency for International Development	<b>42</b> Library of Congress
<b>10</b> Department of Agriculture	<b>91</b> Miscellaneous Foundations & Commissions
<b>23</b> Appalachian Regional Commission	<b>99</b> Miscellaneous
<b>88</b> Architectural & Transportation Barriers Compliance Board	<b>43</b> National Aeronautics & Space Administration
<b>13</b> Central Intelligence Agency	<b>89</b> National Archives & Records Administration
<b>11</b> Department of Commerce	<b>92</b> National Council on Disability
<b>29</b> Commission on Civil Rights	<b>44</b> National Credit Union Administration
<b>78</b> Commodity Futures Trading Commission	<b>05</b> National Endowment for the Arts
<b>87</b> Consumer Product Safety Commission	<b>06</b> National Endowment for the Humanities
<b>94</b> Corporation for National & Community Service	<b>68</b> National Gallery of Art
<b>12</b> Department of Defense	<b>46</b> National Labor Relations Board
<b>84</b> Department of Education	<b>47</b> National Science Foundation
<b>81</b> Department of Energy	<b>77</b> Nuclear Regulatory Commission
<b>66</b> Environmental Protection Agency	<b>07</b> Office of National Drug Control Policy
<b>30</b> Equal Employment Opportunity Commission	<b>27</b> Office of Personnel Management
<b>32</b> Federal Communications Commission	<b>70</b> Overseas Private Investment Corporation
<b>83</b> Federal Emergency Management Agency	<b>08</b> Peace Corps
<b>33</b> Federal Maritime Commission	<b>86</b> Pension Benefit Guaranty Corporation
<b>34</b> Federal Mediation and Conciliation Service	<b>22</b> Postal Service
<b>18</b> Federal Reserve System	<b>53</b> President's Committee on Employment of the Handicapped
<b>36</b> Federal Trade Commission	<b>57</b> Railroad Retirement Board
<b>39</b> General Services Administration	<b>85</b> Scholarship Foundations
<b>40</b> Government Printing Office	<b>58</b> Securities and Exchange Commission
<b>93</b> Department of Health and Human Services	<b>59</b> Small Business Administration
<b>14</b> Department of Housing and Urban Development	<b>60</b> Smithsonian Institution
<b>03</b> Institute for Museum Services	<b>96</b> Social Security Administration
<b>04</b> Inter-American Foundation	<b>19</b> Department of State
<b>15</b> Department of Interior	<b>62</b> Tennessee Valley Authority
<b>61</b> International Trade Commission	<b>20</b> Department of Transportation
<b>41</b> Interstate Commerce Commission	<b>21</b> Department of Treasury
<b>16</b> Department of Justice	<b>82</b> United States Information Agency
<b>17</b> Department of Labor	<b>64</b> Department of Veterans Affairs

**FORMS WITHOUT ALL ITEMS ANSWERED WILL BE RETURNED TO THE AUDITEE**



FORM **SF-SAC**  
(8-97)

U.S. DEPARTMENT OF COMMERCE - BUREAU OF THE CENSUS  
ACTING AS COLLECTING AGENT FOR  
OFFICE OF MANAGEMENT AND BUDGET

**Data Collection Form for Reporting on  
AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS**

▶ Complete this form, as required by OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**RETURN TO** Single Audit Clearinghouse  
1201 E. 10th Street  
Jeffersonville, IN 47132

**PART I GENERAL INFORMATION (To be completed by auditee, except for item 7)**

<b>1. Fiscal year ending date for this submission</b> Month / Day / Year		<b>2. Type of Circular A-133 audit</b> 1 <input type="checkbox"/> Single audit    2 <input type="checkbox"/> Program-specific audit	
<b>3. Audit period covered</b> 1 <input type="checkbox"/> Annual    3 <input type="checkbox"/> Other - _____ Months 2 <input type="checkbox"/> Biennial		<b>FEDERAL GOVERNMENT USE ONLY</b>	<b>4. Date received by Federal clearinghouse</b>

**5. Employer Identification Number (EIN)**

a. Auditee EIN 

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b. Are multiple EINs covered in this report? 1  Yes    2  No

<p><b>6. AUDITEE INFORMATION</b></p> <p>a. Auditee name</p> <p>b. Auditee address (Number and street)</p> <p>City _____</p> <p>State _____ ZIP Code _____</p> <p>c. Auditee contact</p> <p>Name _____</p> <p>Title _____</p> <p>d. Auditee contact telephone</p> <p>( ) - _____</p> <p>e. Auditee contact FAX (Optional)</p> <p>( ) - _____</p> <p>f. Auditee contact E-mail (Optional)</p>	<p><b>7. AUDITOR INFORMATION (To be completed by auditor)</b></p> <p>a. Auditor name</p> <p>b. Auditor address (Number and street)</p> <p>City _____</p> <p>State _____ ZIP Code _____</p> <p>c. Auditor contact</p> <p>Name _____</p> <p>Title _____</p> <p>d. Auditor contact telephone</p> <p>( ) - _____</p> <p>e. Auditor contact FAX (Optional)</p> <p>( ) - _____</p> <p>f. Auditor contact E-mail (Optional)</p>
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**g. AUDITEE CERTIFICATION STATEMENT** - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) Engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in **Parts I, II, and III** of this data collection form is accurate and complete. I declare that the foregoing is true and correct.

**9. AUDITOR STATEMENT** - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 5 and 6, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is **not a substitute** for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in **Parts II and III** of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.

Signature of certifying official \_\_\_\_\_ Date \_\_\_\_\_  
 Month / Day / Year

Name/Title of certifying official \_\_\_\_\_

Signature of auditor \_\_\_\_\_ Date \_\_\_\_\_  
 Month / Day / Year

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	06 <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
88 <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	06 <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
88 <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							
CFDA number <sup>1</sup> (a)	Name of Federal program (b)	Amount expended (c)	Major program (a)	Type of compliance requirement <sup>2</sup> (b)	Amount of questioned costs (c)	Internal control findings <sup>3</sup> (d)	Audit finding reference number(s) (e)
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
		\$	1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No		\$	1 <input type="checkbox"/> A <input type="checkbox"/> C 2 <input type="checkbox"/> B	
<b>TOTAL FEDERAL AWARDS EXPENDED</b> →					\$		

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

<sup>1</sup> Or other identifying number when the Catalog of Federal Domestic Assistance (CFDA) number is not available.  
<sup>2</sup> 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. Method 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

<sup>3</sup> 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 OMB Circular 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. If a program-specific audit guide is not available (§ ____.235(b))—		
<i>a.</i> Has the auditee prepared the following?		
<i>i.</i> Financial statement(s) for the federal program including, at a minimum, a schedule of federal program’s expenditures and related notes	_____	_____
<i>ii.</i> A summary schedule of prior audit findings	_____	_____
<i>iii.</i> A corrective action plan	_____	_____
<i>b.</i> Has the auditor completed the following?		
<i>i.</i> Perform an audit of the financial statements in accordance with GAS.	_____	_____
<i>ii.</i> Obtain an understanding of internal control over the federal program and performed tests consistent with § ____.500(c) for a major program.	_____	_____
<i>iii.</i> Perform tests of compliance consistent with § ____.500(d) for a major program.	_____	_____
<i>iv.</i> Follow up on prior audit findings, perform procedures to assess the reasonableness of the summary schedule, and report any material misrepresentations in accordance with § ____.500(e).	_____	_____
<i>c.</i> Do the auditor’s reports (§ ____.235(b)(4)) perform the following?		
<i>i.</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))	_____	_____
<b>4. Report Submission</b>		
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. If a program-specific audit guide is available (§ _____.235(c)(2)), did the auditee perform the following—		
i. Submit a copy of the data collection form and a copy of the required reporting to the federal clearinghouse?	_____	_____
ii. Comply with the reporting requirements of the program-specific audit?	_____	_____
d. If a program-specific audit guide is not available (§ _____.235(c)(3))—		
i. Does the reporting package include the following?		
(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?	_____	_____

	<u>Yes</u>	<u>No</u>
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 perform either of the following?—	_____	_____
(a) Provide the required written notification.	_____	_____
(b) Submit a copy of the reporting package to the pass-through entity.	_____	_____

5. Was there compliance with the following, other applicable sections?

§ _____.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

[Addressee]

We have audited the accompanying schedule of expenditures of federal awards for the [*identify the federal program*] of [*Example Entity*] (the Entity) for the year ended June 30, 200X. This financial statement is the responsibility of the Entity management. Our responsibility is to express an opinion on the financial statement of the program based on our audit.<sup>1</sup>

We conducted our audit in accordance with generally accepted auditing standards;<sup>2</sup> the standards applicable to financial audits contained in *Government Auditing Standards*,<sup>3</sup> 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.

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<sup>1</sup> 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 OMB 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*.

<sup>2</sup> In SAS No. 93, *Omnibus Statement on Auditing Standards—2000*, the Auditing Standards Board amended SAS No. 58, *Reports on Audited Financial Statements*, to provide that the auditor include a reference to the United States as the country of origin of the accounting principles used to prepare the financial statements and of the auditing standards the auditor followed in performing the audit. If that option is elected, this phrase would be changed to “...auditing standards generally accepted in the United States,” and the last sentence of the third paragraph would be changed to “...accounting principles generally accepted in the United States.”

<sup>3</sup> 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 above<sup>4</sup> presents fairly, in all material respects, the expenditures of federal awards under the [*identify the federal program*] in conformity with generally accepted accounting principles (GAAP).<sup>2,5</sup>

[*Signature*]

[*Date*]

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<sup>4</sup> 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.

<sup>5</sup> The auditor should follow the guidance in SAS No. 62, *Special Reports* (AICPA, *Professional Standards*, vol. 1, AU sec. 623), when the auditee prepares the financial statement of the program in conformity with a basis of accounting other than GAAP.

**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-133<sup>1</sup>**  
***(Unqualified Opinion on Compliance and No Material Weaknesses [No Reportable Conditions Identified])<sup>2</sup>***

[Addressee ]

Compliance

We have audited the compliance of [Example Entity] (the 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, 200X. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the Entity's management. Our responsibility is to express an opinion on the 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*,<sup>3</sup> 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 about the 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 the Entity's compliance with those requirements.

In our opinion, the 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, 200X. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required

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<sup>1</sup> This is an example of a report on a program-specific audit under OMB 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, OMB 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).

<sup>2</sup> 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 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.

<sup>3</sup> The standards applicable to financial audits include the general, fieldwork, and reporting standards described in chapters 3, 4, and 5 of *Government Auditing Standards*.

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, OX-1 and OX-2]*.<sup>4</sup>

Internal Control Over Compliance

The management of the 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 the 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 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 solely for the information and use of the audit committee, management, *[specify legislative or regulatory body]*, and the federal awarding agency and pass-through entity and is not intended to be and should not be used by anyone other than these specified parties.<sup>5</sup>

*[Signature]*

*[Date]*

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

<sup>5</sup> This paragraph conforms to SAS No. 87, *Restricting the Use of an Auditors Report* (AICPA, *Professional Standards*, vol. 1, AU sec. 532). See SAS No. 87 for additional guidance on restricted-use reports.

## Single Audit Case Study<sup>1</sup>

This Practice Aid presents a case study of the Office of Management and Budget (OMB) Circular A-133 single audit process using the illustrative ABC Entity, a county government, and its administration of the Housing and Urban Development (HUD) Supportive Housing Program, CFDA number 14.235. This case study presents the auditor's selection of major programs, identification of the types of compliance requirements applicable to the Supportive Housing Program, and identification of detailed requirements for the program's eligibility compliance requirements. It also presents the auditor's consideration and testing of ABC Entity's internal control over compliance with the eligibility compliance requirements, testing of compliance, and evaluation of the results of procedures performed on those compliance requirements. Finally, this case study discusses the auditor's reports that will be issued and illustrates the schedule of findings and questioned costs, schedule of expenditures of federal awards, and data collection form<sup>2</sup> for the single audit of ABC Entity.

### SELECTING MAJOR PROGRAMS

This section of the case study illustrates the selection of major programs for the single audit of ABC Entity for the year ended June 30, 200X, which will be referred to as 200X.

#### Background of ABC Entity

ABC Entity had the following federal program expenditures for the year ended June 30, 200X:

<b><u>Program Number</u></b>	<b><u>Federal Awards Expended</u></b>	<b><u>CFDA, Program Name</u></b>
Program 1	\$4,000,000	84.010, Title I Grants to Local Educational Agencies
Program 2	1,720,000	14.857, Section 8 Rental Certificate Program
Program 3	1,000,000	16.580, Local Law Enforcement Assistance Grant
Program 4	1,000,000	14.218, Community Development Block Grants/Entitlement
Program 5	600,000	45.149, Promotion of the Humanities—Humanities Preservation and Access
Program 6	550,000	84.186, Safe and Drug-Free Schools

<sup>1</sup> This case study incorporates the data collection form to report the results of OMB Circular A-133 audits for audit periods ending *before* January 1, 2001. The OMB has issued a revised data collection form and related instructions in effect for audit periods ending *on or after* January 1, 2001. Check the FAC Internet site listed in the appendix to this practice aids section of the guide for further information about the data collection form, noting the dates of the audit reporting periods to which it applies.

<sup>2</sup> See footnote 1 of this case study Practice Aid.

<b><u>Program Number</u></b>	<b><u>Federal Awards Expended</u></b>	<b><u>CFDA, Program Name</u></b>
Program 7	450,000	93.045, Special Programs for the Aging—Title III, Part C—Nutrition Services
Program 8	375,000	14.235 Supportive Housing Program
Program 9	350,000	93.194, Community Partnership Demonstration Grant
Program 10	320,000	16.710, Community Policing Grant
Program 11	300,000	45.130, Promotion of the Humanities—Challenge Grant
Program 12	285,000	84.041, Impact Aid
Program 13	220,000	84.276, Goals 2000
Program 14	200,000	10.553, School Breakfast Program
Program 15	175,000	10.555, National School Lunch Program
Program 16	150,000	84.281, Eisenhower Professional Development Grant
Program 17	125,000	84.002, Adult Education
Program 18	100,000	15.904, Historic Preservation
<b>Total</b>	<b><u>\$11,920,000</u></b>	

ABC Entity has had a single audit for the last ten years. In the aggregate, the ABC Entity’s federal programs are not material to its financial statements. Program 4, the Community Development Block Grants/Entitlement Grant program, is a loan program. Programs 14 and 15 are a cluster of programs (child nutrition cluster) totaling \$375,000. For each of the past two years, the opinions on the financial statements and schedule of expenditures of federal awards have been unqualified and the auditor’s reports did not include any reportable conditions or material instances of noncompliance at the financial statement level. ABC is meeting the A-133 requirements for a single audit in 200X with an organization-wide audit and has not elected to have separate single audits of departments, agencies, or component units.

**Description of Programs**

**Program 1.** This program was audited as a major program for each of the last several years. Most of the expenditures are for payroll expenses. Employees paid from this program spend 100 percent of their time working on this program. ABC Entity historically has had an accurate and well-controlled payroll system. No significant changes have occurred in the payroll system or its personnel in the last several years, and no reportable conditions, material instances of noncompliance, or other audit findings were reported.

**Program 2.** This program has complex eligibility requirements. This program has been a Type A

program audited as a major program in each of the last two years and the audits disclosed reportable conditions, material instances of noncompliance, and questioned costs. In the prior year, the instances of noncompliance resulted in an opinion qualification in the report on compliance.

**Program 3.** This program's expenditure characteristics are similar to those of program 1. It was audited for the last several years as a major program. No reportable conditions, material instances of noncompliance, or other audit findings were reported in the last several years.

**Program 4.** This program was audited as a major program for each of the last several years. In each of the last two years, when the program was a Type A program, the audit disclosed questioned costs that amounted to 2 percent of program expenditures, material weaknesses in internal control that were reported as audit findings, and instances of noncompliance that were material to the program and resulted in a qualification of the opinion on compliance for the program. The program uses a service organization to account for and collect loans and has subrecipients.

**Program 5.** This program is new in 200X and is administered 100 percent by the county library, which has its own accounting system and personnel. It is managed by a part-time clerical employee with limited experience and training. Program expenditures are approved by the library's accountant and the original supporting documentation is retained at the library. Because of the separate accounting system at the library, there is no involvement by the central county government. In previous audits, programs administered at the library have not been audited as major programs or used to comply with the percentage-of-coverage rule. Accordingly, there has been no audit evaluation of its system for maintaining compliance related to federal programs.

**Program 6.** This program, for which ABC Entity received a significant funding increase in 200X, was not previously audited as a major program or used to comply with the percentage-of-coverage rule. In the prior year, a monitoring team from the pass-through entity performed a review and found significant internal control and compliance problems.

**Program 7.** This program was audited last year as a major program. No reportable conditions, material instances of noncompliance, or other audit findings were reported. There have been no significant changes in the program's systems or personnel.

**Program 8.** This program is new for ABC Entity in 200X. The program has eligibility requirements. The manager assigned to the program has no experience with federal programs.

**Program 9.** This program was audited two years ago to comply with the percentage of coverage rule, and there was one audit finding with a questioned cost of \$11,000, which was 4 percent of program expenditures. Since then, ABC Entity has taken corrective action to address the finding.

**Program 10.** This program has not been audited in the past, but an analysis of the experience of the employees administering this program revealed that all are experienced and well-trained.

**Program 11.** Like program 5, this program is administered at the county library. It was not audited as a major program in previous audits or used to comply with the percentage-of-coverage rule. It is managed by a part-time clerical employee with limited training and there is no involvement by the central county government.

**Programs 12 through 18.** These programs have not been audited in the past and are administered by various departments at ABC Entity. An analysis of the experience of the employees administering these programs revealed that all are experienced and well-trained with the exception of program 13. The employee administering program 13 has no experience with federal programs and has received limited training and supervision. Also, programs 14 and 15 are part of a cluster of programs as defined in Part 5 of the *Compliance Supplement* and have eligibility requirements.

### ***Analysis for Major Program Determination in 200X***

#### ***Step 1—Identify Type A and Type B Programs***

The auditor uses a worksheet, Risk-Based Approach for Determining Major Programs, to document the application of the risk-based approach for determining major programs (see exhibit 28-4).

Because ABC Entity expended between \$10 million and \$100 million in federal awards, Type A programs would be those programs with federal awards expended that exceed 3 percent (.03) of total federal awards expended. In this example, federal awards expended are \$11,920,000. Therefore, Type A programs are those with federal awards expended equal to or greater than \$357,600 (3percent of \$11,920,000), or programs 1 through 8, and the loan program as well as combined programs 14 and 15, which are a cluster of programs.

A-133 states that when a federal program provides loans or loan guarantees that significantly affect the number or size of Type A programs, the auditor should consider the loan or loan guarantee program a Type A program and exclude its value in determining other Type A programs. Because program 4 is a loan program, the auditor recalculates the Type A program threshold by excluding that program from the base amount of total federal awards to determine if the result significantly affects the number or size of Type A programs. In this example, federal awards expended excluding program 4 are \$10,920,000 and Type A programs would be those with federal awards expended equal to or greater than \$327,600 (3 percent of \$10,920,000). This would result in the inclusion of program 9 as a Type A program in addition to those listed above if in the auditor's professional judgment that would significantly affect the number or size of Type A programs. In this case, the auditor concludes that decreasing the Type A threshold by \$30,000 and adding one Type A program is not significant. (See an additional example of the exclusion of loan and loan guarantee programs from the calculation of the Type A threshold in paragraphs 7.7 through 7.9 of SOP 98-3, *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards.*)

*Step 2—Risk Assess Type A Programs*

The auditor next performs a risk assessment of each Type A program. The criteria to be used for this risk assessment are described in chapter 4 of the practice guide. See the risk assessment checklist (in this Practice Aids section of this guide), completed for both program 4, the Community Development Block Grants/Entitlement Grant Program, and for program 8, the Supportive Housing Program, in exhibits 28-1 and 28-2, respectively.

<u>Program</u>	<u>Risk Assessment</u>	<u>Reason for Risk Classification</u>
1	Low risk	Audited as a major program in prior year with no audit findings; there have been no significant changes in the systems or personnel affecting the program
2	High risk <sup>3</sup>	Audit findings in last two years; opinion qualification for material noncompliance in prior year; complex eligibility requirements
3	Low risk	Same as program 1
4	High risk	Audit findings in last two years; opinion qualification for material noncompliance in last two years; use of service organization and subrecipients
5	High risk	New program in 200X; limited experience of the employee managing the program; separate accounting system
6	High risk	Not audited as major in the last two years; significant funding increase; significant problems noted in monitoring review by the pass-through entity
7	Low risk	Audited as a major program in prior year with no audit findings; no changes in the systems or personnel affecting the program
8	High risk	New program in 200X; eligibility requirements; the program manager has no federal program experience
14 and 15	High risk	Not audited as major in the last two years; eligibility requirements

<sup>3</sup> As discussed in chapter 4 of the practice guide, A-133 provides for identifying whether Type A programs are low-risk. For purposes of simplicity, the practice guide uses the term *high risk* to refer to Type A programs that are not identified as low-risk during the risk assessment process.



*Step 3—Risk Assess Type B Programs*

The auditor next performs a risk assessment of Type B programs. The criteria to be used for this risk assessment are described in chapter 4 of the practice guide.

As discussed in chapter 4, the auditor has the following alternatives for selecting high-risk Type B programs as major programs:

1. Option 1—The auditor selects at least one half of the high-risk Type B programs as major programs, up to the number of low-risk Type A programs.
2. Option 2—The auditor selects one high-risk Type B program for each low-risk Type A program, up to the number of high-risk Type B programs.

Option 1 requires risk assessments on all Type B programs. Under option 2, the auditor is not required to identify more high-risk Type B programs than the number of low-risk Type A programs. In some cases, option 1 will result in a smaller number of programs being audited as major programs. In other cases, option 2 will reduce the number of Type B programs that need to be subjected to risk assessment procedures.

For purposes of this example, assume that the auditor uses option 1.<sup>4</sup> This requires the auditor to perform a risk assessment on programs 9, 10, 11, 12, 13, 16, and 17. Under either option, a risk assessment is not required to be performed on program 18 because A-133 permits the auditor to exclude relatively small federal programs from the risk assessment. For ABC Entity, risk assessments are required only for programs that exceed \$100,000.<sup>5</sup>

<u>Program</u>	<u>Risk Assessment</u>	<u>Reason for Risk Classification</u>
9	Low-risk*	Audited as a major program two years ago; corrective action has been taken to address the one finding noted

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<sup>4</sup>Note that using option 1, the auditor would only have to audit one high-risk Type B program as major (one-half of the two high-risk Type B programs); however, the auditor would have to perform risk assessments on all Type B programs (except for smaller Type B programs for which risk assessments are not required). If the auditor had selected option 2, the auditor would have had to audit both high-risk Type B programs as major (one high-risk Type B program for each of the three low-risk Type A programs, up to the number of high-risk Type B programs). However, the auditor would only have to perform risk assessments of Type B programs until three high-risk Type B programs were identified. There is no requirement to justify choosing either option. Option 1 is assumed in this example so that the risk assessment process can be demonstrated.

<sup>5</sup> Because ABC Entity expended less than \$100 million in federal awards, risk assessments are only required for Type B programs that exceed the larger of \$100,000 or .3 percent (.003) of federal awards expended. In this example, federal awards expended are \$11,920,000 and, therefore, risk assessments are required only for those programs that exceed \$100,000 (because .3percent of 11,920,000 is only \$35,760). Program 18 is the only program that does not exceed \$100,000.

<u>Program</u>	<u>Risk Assessment</u>	<u>Reason for Risk Classification</u>
10	Low-risk	Although not audited previously, the employees managing the program are experienced and well-trained
11	High-risk	Not audited previously; limited experience of employee managing the program; separate accounting system
12	Low-risk	Same as program 10
13	High-risk	Not audited previously; the employee managing the program has no federal program experience and has limited training and supervision
16	Low-Risk	Same as program 10
17	Low-Risk	Same as program 10

\*As discussed in chapter 4 of the practice guide, A-133 provides for identifying whether Type B programs are high risk. For purposes of simplicity, this practice guide uses the term *low risk* to refer to Type B program that are not identified as high risk during the risk assessment process.

#### *Step 4—Select Major Programs*

At a minimum, Circular A-133 requires the auditor to audit all of the following as major programs:

1. *Programs required by federal agencies to be audited as major.* The auditor must select as a major program any program that a federal agency or pass-through entity has requested be audited as a major program and that would not otherwise be audited as a major program in accordance with the provisions of §\_\_\_\_.215(c). There are no such programs in this example.
2. *All high-risk Type A programs.* In this example, programs 2, 4, 5, 6, and 8, and the program 14 and 15 cluster were identified as high-risk and, therefore, are considered major programs.
3. *Certain high-risk Type B programs.* High-risk Type B programs are identified as major programs under one of two options. In this example, using option 1, the auditor selects program 11 to audit as major because it is the larger of the two high-risk type B programs. The auditor is not required to select the high-risk Type B program with the most expenditures or to justify which high-risk type B program is chosen.
4. *Additional programs, if any, that are needed to meet the percentage-of-coverage rule.* A-133 requires the auditor to audit as major programs federal programs with federal awards expended that encompass at least 50 percent of total federal awards expended. However, if the auditee meets the criteria for a low-risk auditee, the auditor is required to audit as major programs only

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federal programs with federal awards expended that encompass at least 25 percent of total federal awards expended. The checklist for determining whether an entity qualifies as a low-risk auditee from the Practice Aid, completed for ABC Entity, is shown at exhibit 28-3.

In this example, ABC Entity does not qualify as a low-risk auditee because there were audit findings of material weaknesses and material noncompliance in Type A programs (programs 2 and 4) during each of the preceding two years. (For an entity not to qualify as a low-risk auditee, it is necessary only to have such findings during one of the preceding two years.) Therefore, the single audit must cover 50 percent of total federal awards expended to meet the percentage-of-coverage rule. The major programs selected so far encompass only 41 percent of total federal awards expended (see the calculation below).

For ABC Entity, the auditor must select additional programs to be audited so that major programs are at least \$5,960,000 (50 percent of \$11,920,000). One possible alternative is to include program 1. However, the auditor may select any Type A or Type B program or programs to satisfy the percentage-of-coverage rule. The auditor would consider various factors in making the selection including audit efficiency, rotation of programs being audited, and other factors identified in the risk assessments.

If a federal agency has requested that a program be audited as major, that program is used in calculating whether the percentage-of-coverage rule is met.

*ABC Entity Major Programs:*

<u>Program</u>	<u>Amount</u>	
Type A programs:		
Number 2 ( 14.857, Section 8 Rental Certificate Program	\$1,720,000	
Number 4 (14.218, community Development Block Grants/Entitlement Grant)	1,000,000	
Number 5 (45.149, Promotion of the Humanities—Humanities Preservation and Access)	600,000	
Number 6 (84.186, Safe and Drug-Free Schools)	550,000	
Number 8 (14.235, Supportive Housing Program)	375,000	
Numbers 14 and 15 cluster (child nutrition cluster: 10.553, School Breakfast Program and 10.555, National School Lunch Program)	375,000	
Type B programs:		
Program 11 (45.130, Promotion of the Humanities—challenge Grant)	<u>300,000</u>	
Subtotal	\$4,920,000	(41 percent of total federal awards expended)
Additional program to meet percentage-of-coverage rule—program 1 (84.010, title I Grants to Local Educational Agencies) (Type A)	<u>4,000,000</u>	
Total major programs	<u>\$8,920,000</u>	(75 percent of total federal awards expended)

The auditor documents the calculation of the Type A threshold, the risk assessments of the programs, and the selection of the major programs in the audit working papers as required by A-133.

### **Identifying Applicable Compliance Requirements**

This section of the case study illustrates the auditor's identification of the types of compliance requirements applicable to and detailed requirements for the Supportive Housing Program's eligibility compliance requirements. The auditor would perform the process illustrated for each compliance requirement that could have a direct and material effect on each major program.

## **Overview of the Supportive Housing Program**

The Supportive Housing Program, for which ABC Entity has \$375,000 in federal expenditures during 200X, is included in Part 4 of the *Compliance Supplement*. Part 4 explains that the objective and procedures of the program and the auditor has obtained the following understanding about the program through inquiry with ABC Entity's Supportive Housing program manager and through review of the CFDA listing, law (Title IV of the Stewart B. McKinney Housing Assistance Act, 42 U.S.C. 11381-11389), regulations (24 CFR 583)<sup>6</sup> and grant agreement applicable to the program.

At ABC Entity, the Supportive Housing Program is designed to promote the development of supportive housing and supportive services to assist homeless persons in the transition from homelessness and to enable them to live as independently as possible. During 200X, ABC Entity converted a vacant public building into a transitional housing facility that provides temporary living quarters for up to four families and six individuals at a time and began accepting residents into the facility and providing various supportive service to the facility's residents four months into the fiscal year. The facility is expected to accommodate, on average, forty-eight family units and seventy-two individuals annually once it is in full operation. During 200X, ABC received applications from thirty family units and seventy individuals and provided temporary housing to twenty family units and forty individuals. Not all applicants became residents--in some cases, applicants were not eligible; in other cases, the eligible applicants were put on a waiting list pending available accommodations in the facility.

The supportive services provided by the program include child care, employment assistance, permanent housing assistance, and congregate meals three times a day. To provide these services, ABC entity employs the following persons, who work exclusively on the Supportive Housing Program:

- The program manager, who manages the program, provides counseling services related to employment and permanent housing, and serves as the residential supervisor. The program manager is new to ABC Entity and has no experience in this type of program
- Two part-time cooks
- Two part-time child caregivers
- A night-time security officer

Maintenance services are provided to the facility on an as-needed basis by employees of ABC Entity's facilities management department. Custodial services are provided by two part-time program employees. All the part-time employees are residents of the facility. ABC Entity's director of social and housing programs (the program director) provides administrative oversight and some program assistance. A grants clerk in ABC Entity's finance department assists with program accounting and reports.

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<sup>6</sup> Note that Part 4 of the *Compliance Supplement* provides regulatory citations for the programs it includes.

ABC's Supportive Housing Program grant has expenditures of \$200,000 for the rehabilitation of the facility, \$125,000 for supportive services, \$50,000 for operating costs (such as maintenance and repair of the facility, utilities, and furnishings and equipment). Under the program's regulations and grant agreement, ABC entity is required to equally match the rehabilitative costs and pay 25 percent of the operating costs. There is also a 25 percent matching requirement for the supportive services costs. ABC Entity also can use 5 percent of the total grant for administration costs, such as accounting, reporting, and audit costs. No part of the grant can be used to replace state or local funds used or designated for use to assist homeless persons.

Law and regulations permit ABC Entity to require facility residents to pay rent based on a calculation provided for in the program regulations. ABC Entity has elected to make a charge for resident rents. Under the provisions of program regulations and the grant agreement, ABC Entity reserves those resident rents to assist facility residents in moving to permanent housing. Law and regulation also permit ABC Entity to charge residents reasonable fees for services not paid with grant funds. ABC Entity has elected not to make such charges.

OMB Circular A-87 (the cost principles circular for state and local government) and 24 CFR 85 (HUD's codification of the A-102 Common Rule) apply to the program, except where inconsistent with the program's law or regulations or other federal laws.

All program personnel receive periodic training on the program that is appropriate to their responsibilities with the program. The program director generally sets a hands-off tone in administering the program and gives only a minimum level of time and effort to it. Most of the internal control established in the program has been at the initiation and effort of the program manager. Generally, the program's records are developed and maintained manually. However, the program manager maintains electronic spreadsheets for various purposes, for example, a spreadsheet detailing the residents' rents that supports the monthly entries of receivables into ABC Entity's general ledger system.

### ***Compliance Requirements***

The auditor obtains copies of the program's CFDA listing, law, and regulations and the grant agreement from the program manager and compares the CFDA listing, law, and regulations to versions available on the Internet to ensure that they are current versions. (Internet sources for this information are listed in the appendix to this Practice Aid volume.) The auditor also reviews that the regulations are up-to-date through the audit period by reviewing the Government Printing Office's *LSA: List of CFR Sections Affected*, a monthly publication (which is a cumulative document each quarter) that identifies Code of Federal Regulation sections that are affected by new federal regulations.

The auditor observes that the matrix of compliance requirements in Part 2 of the *Compliance Supplement* and the program regulations indicate that the Davis-Bacon Act normally does not apply to the Supportive Housing Program. The matrix also indicates that the following types of compliance requirements normally apply to this program:

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- Activities allowed or unallowed
- Allowable costs/cost principles
- Cash management
- Eligibility
- Equipment and real property management
- Matching, level of effort, earmarking
- Period of availability of federal funds
- Procurement and suspension and debarment
- Program income
- Real property acquisition and relocation assistance
- Reporting
- Subrecipient monitoring
- Special tests and provisions

Part 4 of the *Compliance Supplement* provides specific compliance requirements for activities allowed or unallowed; eligibility; matching, level of effort, earmarking; program income; reporting; and special tests and provisions for the Supportive Housing Program. Part 3 of the *Compliance Supplement* provides generic compliance requirements for the other seven potentially applicable compliance requirements and audit objectives for all types of compliance requirements. The auditor lists those audit objectives and compliance requirements in the audit working papers and compares the compliance requirements to the programs' laws and regulations and ABC Entity's grant agreement with HUD to determine whether there are compliance requirements that have changed since the *Compliance Supplement* was last updated and whether there are any compliance requirements that are unique to ABC Entity's program. The auditor observes no changes in the compliance requirements and no requirements that are unique to ABC Entity. This observation is confirmed through inquiry with the program manager.

Next, the auditor determines whether any of the compliance requirements on the tentative listing are not subject to testing because they could not have a direct and material effect on ABC Entity's program:

- The auditor notes on that listing that the compliance requirements for real property acquisition and relocation assistance and subrecipient monitoring could not have a direct and material effect on the program because the program manager represents that the program does not acquire real property or use subrecipients. (The building used for the facility was converted from a vacant public building.) However, in the tests of activities allowed or unallowed and of allowable costs, the auditor plans to examine whether any selected transactions are payments for real property acquisition and relocation or to subrecipients.

Based on this initial assessment, the auditor believes that the other eleven types of compliance requirements could have a direct and material effect on ABC Entity's compliance with the Supportive Housing Program.

The auditor documents this consideration of compliance requirements and the conclusions in the audit working papers. The compliance requirements that the auditor has determined could have a direct and material effect on ABC Entity's Supportive Housing Program will be subjected to internal control evaluation and testing and compliance testing. The auditor also plans to include the program manager's representations about the nonapplicability of the real property acquisition and relocation assistance and subrecipient monitoring compliance requirements in the management representation letter obtained at the end of fieldwork.

Exhibit 28-5 shows the audit objectives and compliance requirements related to eligibility that the auditor identified for ABC Entity's Supportive Housing Program.

## **CONSIDERING, TESTING, AND EVALUATING INTERNAL CONTROL**

This section of the case study illustrates the auditor's consideration, testing, and evaluation of internal control related to ABC Entity's Supportive Housing Program's eligibility compliance requirements. The auditor would perform the process illustrated for each compliance requirement that could have a direct and material effect on each major program.

### **Consideration of Internal Control Characteristics**

The auditor considers the internal control characteristics surrounding ABC Entity's Supportive Housing Program using the discussion of those characteristics in the introduction of Part 6 of the *Compliance Supplement*. The information from that consideration that helps in an understanding of the auditor's following evaluation of ABC Entity's internal control over the eligibility compliance requirements is presented previously in "Overview of the Supportive Housing Program."

The auditor also considers the internal control characteristics related to eligibility compliance requirements, which is presented in Part 6 of the *Compliance Supplement*. The following is information that the auditor developed from that consideration.

### ***Control Environment***

The lines of authority for determining eligibility for the Supportive Housing Program are clear and realistic caseload and performance targets are established for eligibility determinations. The size and competence of the staff resources applied to the program appear adequate for making proper eligibility determinations.



***Risk Assessment***

The program manager is aware that incorrect information received from applicants can result in erroneous eligibility determinations, including the erroneous calculation of resident rents. The manager also is aware that risks can arise from changes in program requirements for determining eligibility and has addressed those areas in the policies and procedures manual that was developed for the program.

As required by the A-102 Common Rule, ABC Entity has a written code of standards of conduct governing the performance of its employees engaged in the award and administration of federal programs. Consistent with that code of standards, the program manager has completed a conflict-of-interest statement that is consistent with the requirements of the A-102 Common Rule and the Supportive Housing Program regulations. Concerning eligibility, the statement specifies that the program manager will not perform eligibility determinations for persons with whom the manager has a personal relationship, such as family members and friends. Those eligibility determinations are to be handled by the program director.

***Control Activities***

The policies and procedures manual, which was approved by the program director, clearly communicates eligibility objectives and procedures. It includes procedures for determining eligibility as well as a checklist to document that those procedures were followed. There are procedures for verifying the accuracy and completeness of information used in determining eligibility. The manual indicates that there is to be a review on a sample basis by the program director of the eligibility determinations and calculations of resident rents made by the program manager. The program director does this for the eligibility determinations but not for the calculation of resident rents due to time constraints.

***Information and Communication***

The program director and manager receive appropriate training about the programs' eligibility requirements and the reports that are produced about eligibility determinations meet the needs of the program personnel and ABC Entity's administration. There is a process that permits persons who suspect eligibility improprieties to report them on an anonymous basis to a member of ABC Entity's administration who is not involved with the program on a daily basis. (There were no such complaints filed during the period.) The program manager documents eligibility determinations in accordance with the programs' requirements and is receptive to suggestions to strengthen the eligibility determination process.

***Monitoring***

The program director and ABC Entity's administration review quarterly analytical reports on eligibility that are prepared by the program manager. ABC Entity does not have an internal audit function to evaluate the program's policies and procedures or audit detailed transactions.

## **Testing and Evaluating Internal Control Over Compliance With Eligibility Requirements**

In obtaining an understanding of internal control over compliance with the Supportive Housing Program's eligibility compliance requirements, the auditor identifies specific controls that are relevant to those requirements. For example, there is a checklist that documents the receipt and verification of appropriate information and the presence of confirming information in the applicant's file. For the audit objective and compliance requirement related to the eligibility of individuals and families, the auditor concludes that ABC Entity's internal control over the program's eligibility compliance requirements is sufficient to plan a test of those controls to meet a low assessed level of control risk. That is, the auditor believes that those controls—if operating as designed—will prevent or detect material noncompliance with the program's requirements related to the eligibility of individuals and families. Therefore, the auditor is required by A-133 to test those controls. However, the auditor does not believe that the internal control over compliance requirement related to the calculation of resident rents will prevent or detect material noncompliance with the eligibility compliance requirements. See the further discussion of the auditor's consideration of internal control over that compliance requirement below.

The auditor can perform tests of internal control over compliance either before or in conjunction with the substantive tests of compliance related to the same requirements. The auditor also can perform those tests apart from or in conjunction with tests of internal control and/or compliance related to other of the programs' compliance requirements. That is, the auditor could select program transactions that would permit the testing of both internal control over and compliance related to various compliance requirements of the program with a single sample.

For purposes of simplicity in this case study, however, the auditor performs a stand-alone test of the internal control over the compliance requirement related to the eligibility of individuals and families. The auditor selects a sample in a manner and of a size that will provide reasonable assurance about whether controls are functioning as designed and that will support the low assessed level of control risk if the controls are operating as designed. For purposes of this case study, the auditor observes no deviant conditions in the sample tested. That is, for each of the specific controls that were identified as being relevant to the eligibility compliance requirement, the auditor obtains evidence confirming that the controls are functioning as designed and will be able to rely on those controls when performing substantive tests of compliance with the eligibility requirements.

Therefore, the auditor will determine the nature, timing, and extent of tests of compliance related to the compliance requirement concerning the eligibility of individuals and families based on a low assessed level of control risk.

However, the auditor does not believe that ABC Entity's internal control related to the compliance requirement concerning the calculation of resident rents will prevent or detect material noncompliance with the compliance requirement. This is because there is no review or reperformance of those calculations and there is no mitigating control. The auditor does not test this internal control because it is likely to be ineffective. The auditor must, therefore, consider whether to report an audit finding—either a reportable condition or material weakness—for that lack of internal control.

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Reportable conditions in internal control over major programs for purposes of an audit finding are evaluated in relation to a type of compliance requirement or an audit objective identified in the *Compliance Supplement*. The auditor concludes that the lack of control over resident rents is not a reportable condition in relation to the type of compliance requirement (eligibility) given ABC Entity's other controls over determining whether only eligible individuals or families participated in the program. However, the lack of control over resident rents is wholly in relation to an audit objective—determining whether amounts provided to or on behalf of eligibles were calculated in accordance with program requirements (which, for the Supportive Housing Program, translates to determining whether resident rents were calculated in accordance with program requirements). Therefore, the auditor concludes that it constitutes a reportable condition for purposes of reporting an audit finding.

The auditor also needs to determine whether that internal control finding also is a material weakness. Again, A-133 requires that, for the purposes of audit findings, a material weakness be evaluated in relation to a type of compliance requirement or an audit objective identified in the *Compliance Supplement*. Because the lack of control over the determination of resident rents is wholly in relation to an audit objective, the auditor concludes that the reportable condition is a material weakness in relation to the audit objective.

As required by A-133, the auditor assesses the control risk over the compliance requirement for determining resident rents at the maximum and will consider that assessment in determining the nature, timing, and extent of substantive tests of compliance related to that eligibility compliance requirement. That is, the auditor will test more items for the resident rent compliance requirement than for the eligibility compliance requirement for which a low assessed level of control risk was found.

The auditor documents the procedures performed and the conclusions reached related to the consideration, evaluation, and testing of internal control over ABC Entity's compliance with the Supportive Housing Program's eligibility compliance requirements.

## **TESTING AND EVALUATING COMPLIANCE**

This section of the case study illustrates the auditor's testing and evaluation of compliance related to ABC Entity's eligibility compliance requirements. The auditor would perform the process illustrated for each compliance requirement that could have a direct and material effect on each major program.

As indicated in the prior section of this Practice Aid, the assessed level of control risk for the compliance requirement related to the eligibility of individuals and families was low. Given the size of the population of completed applications<sup>7</sup> for the facility during the eight months of the audit period that it was in operation—100 individuals and family units—the auditor decides to select ten

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<sup>7</sup> The population identified for testing does not include those individuals and family units that withdrew their applications before an eligibility determination was made.

eligibility determinations for substantive testing. The auditor tests the selected case files for the following conditions:

1. Signed applications from residents contained all the information needed to determine eligibility, income, rent, and order of selection
2. When required by ABC Entity's program policies and procedures manual, third-party documentation or other verification was obtained of expected income, assets, unusual medical expenses, and any other pertinent information
3. The information in the file supports the conclusion that the applicant was eligible for residency under the program

As indicated in the prior section of this Practice Aid, the assessed level of control risk for the compliance requirement related to resident rents was at the maximum. Given the size of the population of residents in the facility during the audit period—sixty individuals and family units—the auditor decides to select fifteen resident rent calculations for substantive testing. The auditor tests the selected case files for the following condition:

1. The amount assessed as resident rent was appropriately calculated, given the resident's adjusted income, monthly income, or welfare assistance designated for housing costs.

Of the fifteen resident rent calculations tested, the auditor observed no error. However, of the ten eligibility determinations tested, the auditor observed one situation in which third-party documentation was not obtained as required by ABC Entity's program policies and procedures manual. In this situation, the eligibility determination had not been reviewed by the program director, who only reviews the determinations on a sample basis. The program manager had requested income verification, but had not followed up on the fact that it had not been received. (During the time that the follow-up would have been performed, the program manager was on a two-week medical leave and the manager's duties were being covered by the program director. The applicant was approved as a resident and entered and left the facility during the time the program manager was on leave.) As a result of finding this exception, the auditor expanded testing to select an additional ten eligibility determinations, choosing six cases during the audit period that had not been reviewed by the program director as well as four that had been reviewed. The auditor observed no additional exceptions. In this test of ten additional items, the auditor examined five other cases during the year in which the program manager had requested income verification, two of which had required follow-up. That follow-up had been performed.

The auditor quantifies the questioned costs related to this exception. It costs ABC Entity approximately \$300 a week in supportive, operating, and administrative costs to maintain a resident in the facility. Therefore, the potential questioned costs related to the exception are \$600, representing the two weeks that the individual was in residence. This amount of known questioned costs does not meet the A-133 requirement for reporting an audit finding based on questioned costs under A-133. Further, given the circumstances of the exception and the expanded testwork, the auditor does not believe that likely questioned costs for this type of exception exceed the known questioned costs. Therefore, the auditor does not report an audit finding for this exception.

The auditor also will consider this exception, combined with the evaluation of the results of procedures performed on the other types of compliance requirements applicable to the Supportive Housing Program, in reaching an opinion as to whether ABC Entity complied with the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on the Supportive Housing Program. The auditor documents the procedures performed and the conclusions reached relating to the testing and evaluation of ABC Entity's compliance with the Supportive Housing Program's eligibility compliance requirements.

### **AUDITOR'S REPORTS, SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS, AND DATA COLLECTION FORM <sup>8</sup>**

To illustrate the reporting phase related to the 200X audit of ABC Entity, this case study assumes the following—

- The auditor observes no issues related to internal control or compliance for compliance requirements applicable to the Supportive Housing Program except as discussed above.
- Despite the facts from the risk assessments of the programs in this chapter's section on selecting major programs, the auditor observes no issues in the review of internal control over or compliance related to ABC Entity's major programs, except for in the Supportive Housing Program.
- The auditor observes no issues concerning internal control over or compliance related to financial reporting based on an audit of the financial statements, except for the issues discussed above for the Supportive Housing Program.
- The auditor finds that ABC Entity has not materially misstated the status of any prior audit findings as shown on the summary schedule of prior audit findings.

The following discusses the auditor's conclusions in relation to the reports that will be issued in accordance with the requirements of A-133 and the guidance provided SOP 98-3.

### **Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With A-133**

A-133 requires the auditor to provide an opinion or disclaimer of opinion as to whether ABC Entity complied with the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on each major federal program. The auditor has identified no issues of noncompliance related to any major program except the Supportive Housing Program. For the Supportive Housing Program, the only instance of noncompliance identified was so isolated and immaterial that the auditor was not required to report an audit finding. Therefore, the auditor decides to issue an unqualified opinion on compliance with requirements applicable to each major program.

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<sup>8</sup> See footnote 1 of this case study Practice Aid.

(An example of this opinion is shown as a Practice Aid in this volume.)

A-133 also requires the auditor to issue a report on internal control related to major programs that, where applicable, refers to the separate schedule of findings and questioned costs. The reference to the schedule of findings and questioned costs is made if there are findings reported that are reportable conditions or material weaknesses in internal control over compliance at the level of the major program—not at the level of a type of compliance requirement or audit objective identified in the *Compliance Supplement*, as A-133 provides for the reporting of a reportable condition or material weakness audit finding. Given the other internal control over ABC Entity’s Supportive Housing Program and the relative insignificance of the resident rent requirement to the various other program requirements, the auditor concludes that the finding does not represent a reportable condition for purposes of the auditor’s report on internal control related to major programs. The auditor will issue a “standard” report as illustrated in the Practice Aid in this volume.

#### **Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of the Financial Statements Performed in Accordance With *Government Auditing Standards***

The auditor finds that the issues of internal control and compliance noted in the Supportive Housing Program are not material to compliance related to or internal control over financial reporting. (As noted in the section of this Practice Aid on the selection of major programs, ABC Entity’s federal programs are not material to its financial statements.) Therefore, the auditor will issue a “standard” report on compliance related to and internal control over financial reporting based on an audit of the financial statements performed in accordance with GAS, as illustrated in a Practice Aid in this volume.

#### **Opinion on the Financial Statements and Supplementary Schedule of Expenditures of Federal Awards**

Again, the auditor finds that the issues of internal control and compliance noted in the Supportive Housing Program are not material to the opinion on the financial statements. In addition, nothing in those issues or in information obtained from other audit procedures indicates issues related to the schedule of expenditures of federal awards. Therefore, the auditor will issue unqualified opinions on the financial statements and supplementary schedule of expenditures of federal awards, as illustrated in the Practice Aid to this volume.

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**Schedule of Findings and Questioned Costs**

The auditor prepares a schedule of findings and questioned costs, including an audit finding for the material weakness related to the resident rents audit objective for the Supportive Housing Program. This schedule is illustrated at exhibit 28-6. The elements that are required to be included in the schedule of findings and questioned costs are included in the audit reporting checklist practice aid.

**Schedule of Expenditures of Federal Awards and Data Collection Form<sup>9</sup>**

The schedule of expenditures of federal awards and data collection form for this case study are illustrated at Exhibits 28-7 and 28-8. A checklist of the required elements for the schedule of expenditures of federal awards is a Practice Aid.

\* \* \* \* \*

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<sup>9</sup> See footnote 1 of this case study Practice Aid.

**Federal Program Risk Assessment Checklist**  
**Program 4: Community Development Block Grants/Entitlement Grant**

**Auditee:** ABC Entity

**Year Ended:** June 30, 200X

1. Federal program name: Community Development Block Grants/  
Entitlement Grant
2. CFDA number: 14.218
3. Federal agency: Housing and Urban Development
4. Major subdivision of agency (for R&D programs): N/A
5. Name of pass-through entity (if applicable): N/A
6. Pass-through entity's identifying number (if applicable): N/A
7. Amount expended: \$1,000,000
8. Is this a cluster of programs or non-cash assistance? No
9. Is this a loan or loan guarantee program? Yes
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? No
11. Program type: Type A X Type B \_\_\_\_\_ or below Type B risk assessment threshold \_\_\_\_\_
12. Identify other relevant information: \$300,000 of expenditures is prior year loan balances; the remaining \$700,000 of federal expenditures is current year loan balances



**P/A-28**

**Exhibit 28-1 (continued)**

13. After completing the risk assessment on the following worksheet and determining major programs on the worksheet, indicate whether this program is to be audited as a major program: Yes:   X   No:       

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

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

## Exhibit 28-1 (continued)

**Risk Assessment Worksheet—Type A Programs [.520(c)]**  
**Program 14.218—Community Development Block Grants/Entitlement Grant**

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.

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

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**Exhibit 28-1 (continued)**

e. New or significant changes in regulations [.525(d)(2)]	<u>          </u>	<u>    X    </u>
f. First or last year of the program at the auditee [.525(d)(3)]	<u>          </u>	<u>    X    </u>
7. Does follow-up on prior audit findings indicate continuing problems? [.520(c)(1)]	<u>    X    </u>	<u>          </u>
8. Have there been significant changes in program personnel? [.520(c)(1)]	<u>          </u>	<u>    X    </u>
9. Have there been significant changes in the program's internal control systems? [.520(c)(1)]	<u>          </u>	<u>    X    </u>
10. Are there other high-risk factors associated with this program?	<u>    X    </u>	<u>          </u>
<b>Conclusion: Program is considered a high-risk Type A program</b>	<u>    X    </u>	<u>          </u>

Comments: Additional risk factors: use of service organization to account for and collect loans and subrecipients

Performed by     C. Smith     Date     8/10/0X    

Reviewed by     B. Lily     Date     8/12/0X

**Federal Program Risk Assessment Checklist  
Program 8: Supportive Housing Program**

**Auditee:** ABC Entity

**Year Ended:** June 30, 200X

1. Federal program name: Supportive Housing Program
2. CFDA number: 14.235
3. Federal agency: Housing and Urban Development
4. Major subdivision of agency (for R&D programs): N/A
5. Name of pass-through entity (if applicable): N/A
6. Pass-through entity's identifying number (if applicable): N/A
7. Amount expended: \$375,000
8. Is this a cluster of programs or non-cash assistance? No
9. Is this a loan or loan guarantee program? No
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? No
11. Program type: Type A X Type B \_\_\_\_\_ or below Type B risk assessment threshold \_\_\_\_\_
12. Identify other relevant information: None noted

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**Exhibit 28-2 (continued)**

13. After completing the risk assessment on the following worksheet and determining major programs on the worksheet, indicate whether this program is to be audited as a major program: Yes:   X   No:     

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

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

**Risk Assessment Worksheet—Type A Programs [.520(c)]  
Program 14.235—Supportive Housing 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.

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

<sup>10</sup>The risk assessment could stop at this point because the yes answer to this question requires that the program be identified as a high-risk Type A program. However, the remainder of this form has been completed for illustrative purposes.

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**Exhibit 28-2 (continued)**

c. Eligibility requirements [.525(d)(1)]	<u>          X          </u>	<u>                          </u>
d. Significant payroll costs with time and effort reporting [.525(d)(1)]	<u>                          </u>	<u>                  X          </u>
e. New or significant changes in regulations [.525(d)(2)]	<u>                          </u>	<u>                  X          </u>
f. First or last year of the program at the auditee [.525(d)(3)]	<u>          X          </u>	<u>                          </u>
7. Does follow-up on prior audit findings indicate continuing problems? [.520(c)(1)]	<u>                          </u>	<u>                  N/A          </u>
8. Have there been significant changes in program personnel? [.520(c)(1)]	<u>                          </u>	<u>                  N/A          </u>
9. Have there been significant changes in the program's internal control systems? [.520(c)(1)]	<u>                          </u>	<u>                  N/A          </u>
10. Are there other high-risk factors associated with this program?	<u>          X          </u>	<u>                          </u>
<b>Conclusion: Program is considered a high-risk Type A program</b>	<u>          X          </u>	<u>                          </u>

Comments: This is a new program that has not been previously audited. Additional risk factor:  
There is a new employee managing the program with no federal program experience.

Performed by     C. Smith     Date     8/10/0X    

Reviewed by     B. Lily     Date     8/12/0X

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

**Auditee:** ABC Entity

**Year Ended:** June 30, 200X

	<u>200W</u>		<u>200X</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	<u>X</u>		<u>X</u>	
2. Auditee does not receive biennial audits*	<u>X</u>		<u>X</u>	
3. Unqualified opinion on the financial statements*	<u>X</u>		<u>X</u>	
4. Unqualified opinion on the schedule of expenditures of federal awards*	<u>X</u>		<u>X</u>	
5. No material weaknesses in internal controls at the financial statement level*	<u>X</u>		<u>X</u>	
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		<u>X</u>		<u>X</u>
b. Material noncompliance		<u>X</u>		<u>X</u>
c. Known or likely questioned costs greater than five percent of expenditures for the program during the year	<u>X</u>		<u>X</u>	
<b>Conclusion: Auditee qualifies as low risk</b>				<u><u>X</u></u>

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

Performed by C. Smith Date 8/10/0X

Reviewed by B. Lily Date 8/12/0X



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**Exhibit 28-4**

**Worksheet—Risk-Based Approach for Determining Major Programs for ABC Entity**

**Auditee:** ABC Entity

**Year Ended:** June 30, 200X

Note: For first-year audits, A-133, §\_\_\_\_.520(i) permits the auditor to elect to determine major programs to be all Type A programs plus any Type B programs needed to meet the percentage-of-coverage rule. A first-year audit is the first year that the audit is conducted in accordance with A-133 or the first year of a change of auditors. This exception can not be used more than once every three years.

	<b>Yes</b>	<b>No</b>
<b>Step 1—Identify Type A and Type B Programs</b>		
1. a. Does the auditee’s total awards expended include loan and loan guarantee programs?	<u>X</u>	<u>          </u>
b. Do those loan or loan guarantee programs significantly affect the number or size of Type A programs? (Note: If such programs significantly affect the number or size of Type A programs, the auditor considers them as Type A programs and excludes their values in determining other Type A programs. See §.520(b)(3).)	<u>          </u>	<u>X</u>
2. Determine the Type A program threshold by completing part a, b, or c:		
a. For total federal awards expended that are less than or equal to \$100 million:		
(1) Multiply total awards expended by .03 ( \$11,920,000 ) x (.03) =	<u>\$ 357,600</u>	
(2) Type A programs are those whose expenditures are \$300,000 or the amount calculated at part 2a(1), whichever is larger	<u>\$ 357,600</u>	



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**Exhibit 28-4 (continued)**

**Step 3—Risk Assess Type B Programs**

The auditor is not expected to perform risk assessments on small federal programs. Therefore, if there are low-risk Type A programs, the auditor is only required to perform risk assessments on Type B programs that exceed the threshold determined at part 1 as follows:

1. Determine the Type B program risk assessment threshold by completing a and b, or c and d:
  - a. If total federal awards expended are equal to or less than \$100 million, multiply total amount by .003  
( \$11,920,000 ) x (.003) = \$ 35,760
  - b. Perform risk assessment on Type B programs that exceed the larger of \$100,000 or the amount calculated at part 1a \$ 100,000
  - c. If total federal awards expended are more than \$100 million, multiply total amount by .0003  
( ) x (.0003) = \$
  - d. Perform risk assessment on Type B programs that exceed the larger of \$300,000 or the amount calculated at part 1c \$
2. Risk assess Type B programs selected for risk assessment using the calculation at part 1b or 1d, as applicable, and the Type B program risk assessment checklist. (If option 2 under Step 4 is selected, it is not necessary to identify more high-risk Type B programs than the number of low-risk Type A programs) C. Smith 8/10/0X GB-8.2

**Step 4—Determine Major Programs**

1. Part 1—Type A Programs
  - a. Identify all high-risk Type A programs as major programs based on the risk assessments performed in Step 2 C. Smith 8/10/0X GB-8

b. Identify all low-risk Type A programs and replace with high-risk Type B programs using one of the two options described in part 2 below

	<u>C. Smith</u>	<u>8/10/0X</u>	<u>GB-8</u>
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2. Part 2—High-Risk Type B Programs

a. Option 1

(1) Number of low-risk Type A programs identified in part 1(b)	<u>3</u>	
--	----------	--

(2) Calculate one-half of the number of high-risk Type B programs identified in Step 3 rounded up to a whole number	<u>1</u>	
---	----------	--

(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	<u>1</u>	
--	----------	--

b. Option 2

(1) Number of low-risk Type A programs identified in part 1(b) is the number of high-risk Type B programs to be selected as major programs, up to the number of high-risk Type B programs.	<u>2</u>	
--	----------	--

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	<u>C. Smith</u>	<u>8/10/0X</u>	<u>(None) GB-8</u>
---	-----------------	----------------	------------------------



**ABC Entity**  
**Year Ended June 30, 200X**  
**CFDA 14.235, SUPPORTIVE HOUSING PROGRAM**  
**ELIGIBILITY AUDIT OBJECTIVES AND COMPLIANCE REQUIREMENTS**

**Compliance Requirements**

1. To be eligible to receive assistance under this program, an individual must be homeless, as defined in 24 CFR section 583.5. The eligibility of those tenants that were admitted to the program should be determined by obtaining: (a) signed applications that contained all of the information needed to determine eligibility, income, rent, and order of selection; and (b) when appropriate, third party verifications or documentation of expected income, assets, unusual medical expenses, and any other pertinent information
2. Each resident in ABC Entity's supportive housing facility is required to pay as rent an amount that may not exceed the highest of: (a) thirty percent of the family's adjusted income; (b) ten percent of the family's monthly income; or (c) if the family is receiving payments for welfare assistance from a public agency and a part of the payments, adjusted in accordance with the family's actual housing costs, is specifically designated by the agency to meet the family's housing costs, the portion of payments that is so designated.

**Audit Objectives**

1. Determine whether only eligible individuals or families participated in the program
2. Determine whether amounts provided to or on behalf of eligibles were calculated in accordance with program requirements. (For the Supportive Housing Program, this audit objective translates to determining whether resident rents were calculated in accordance with program requirements.)

**ABC Entity**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 199X**

**Section I—Summary of Auditor’s Results**

***Financial Statements***

Type of auditor’s report issued: **unqualified**

Internal control over financial reporting:

Material weaknesses identified? **No**

Reportable conditions identified not considered to be a material weakness? **None reported\***

Noncompliance material to the financial statements noted? **No**

***Federal Awards***

Internal control over major programs:

Material weaknesses identified? **No**

Reportable conditions identified not considered to be a material weakness? **None reported\***

Type of auditor’s report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510 (a)? **Yes**

Major programs:

**10.553 and 10.555, Child Nutrition Cluster**

**14.218, Community Development Block Grants/Entitlement Grant**

**14.235, Supportive Housing Program**

**14.857, Section 8 Rental Certificate Program**

**45.130, Promotion of the Humanities—Challenge Grant**

**45.149, Promotion of the Humanities—Humanities Preservation and Access**

**84.010, Title I Grants to Local Educational Agencies**

**84.186, Safe and Drug-Free Schools**

Dollar threshold used to distinguish between Type A and Type B programs:

**\$357,600**

Auditee qualified as a low-risk auditee? **No**

---

\* The term *none reported* should be used, rather than the term *no*. To use the term *no* would be to imply that there are no reportable conditions, which is inconsistent with professional standards. Instead, the auditor should represent that there were no reportable conditions identified by the use of the term *none reported*.

## Section II—Financial Statement Findings

There are no financial statement findings.

## Section III—Findings Related to Federal Awards

### Finding OX-1: Resident Rents

Federal agency: U.S. Department of Housing and Urban Development  
CFDA 14.235, Supportive Housing Program

Award number: 23456; Award year: July 1, 200W through June 30, 200X

**Criteria:** 24 CFR 583.315 permits grant recipients to charge each resident of supportive housing a certain amount as rent. ABC Entity has elected to charge such resident rents and reserves those amounts in accordance with the provisions of 24 CFR 583.315 to assist facility residents in moving to permanent housing.

**Condition:** ABC Entity's internal control to ensure the accurate calculation of resident rents is not operating as designed and is therefore ineffective in ensuring that appropriate rents are charged. Specifically, the program director does not review on a sample basis the calculations of resident rents that are made by the program manager, as provided for in ABC Entity's Supportive Housing Program policy and procedures manual. We consider this condition to be a material weakness in relation to the audit objective in the *Compliance Supplement* that requires a determination of whether amounts provided to or on behalf of eligibles were calculated in accordance with program requirements.

**Questioned Costs:** No questioned costs were identified in our tests of compliance with this requirement, despite the ineffective internal control.

**Context:** In 200X, total federal expenditures for this program are \$375,000 and the total amount received for resident rents is approximately \$5,000.

**Effect:** ABC Entity has no assurance that resident rents are accurately calculated. Therefore, residents may be charged too much or too little for rent.

**Cause:** The program director has not assigned priority to the review of the program manager's calculation of resident rents.

**Recommendation:** We recommend that program director review the program manager's calculation of resident rents on a sample basis, as provided for ABC Entity's Supportive Housing Program policy and procedures manual.



**ABC Entity  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 200X**

Federal Agency/Program	Federal CFDA		Pass-through Entity		Provided to Subrecipient	Federal Expenditures
	Number	Contract Number	Identification	Number		
<i>Department of Agriculture</i>						
Nutrition Cluster:						
School Breakfast Program	10.553	84653	(1)	12345	--	\$200,000
National School Lunch Program	10.555	84719	(1)	23456	--	175,000
Subtotal Nutrition Cluster					--	375,000
<b>Subtotal Department of Agriculture</b>					--	<b>375,000</b>
<i>Housing and Urban Development</i>						
Community Development Block Grants/Entitlement Grant	14.218	12345	--	--	\$100,000	1,000,000
Supportive Housing Program	14.235	23456	--	--	--	375,000
Section 8 Rental Certificate Program						
DEF Grant	14.857	34567-1	--	--	--	300,000
GHI Grant	14.857	34567-2	--	--	--	1,420,000
Subtotal Section 8 Rental Certificate Program					--	1,720,000
<b>Subtotal Housing and Urban Development</b>					100,000	<b>3,095,000</b>
<i>Department of Interior</i>						
Historic Preservation	15.904	95146	(3)	34542	--	100,000
<b>Subtotal Department of Interior</b>					--	<b>100,000</b>
<i>Department of Justice</i>						
Local Law Enforcement Grant	16.580	45678	--	--	--	1,000,000
Community Policing Grant						
JKL Grant	16.710	56789-1	--	--	--	20,000
MNO Grant	16.710	56789-2	--	--	--	300,000
Subtotal Community Policing Grant					--	320,000
<b>Subtotal Department of Justice</b>					--	<b>1,320,000</b>

**Exhibit 28-7 (continued)**

Federal Agency/Program	ABC Entity						Federal Expenditures
	Schedule of Expenditures of Federal Awards			Pass-through Entity			
	Federal CFDA Number	Contract Number	Identification	Number	Identification	Number	
<i>National Endowment for the Humanities</i>							
Challenge Grant	45.130	65564	--	--	--	--	300,000
Humanities Preservation and Access	45.149	65455	--	--	--	--	600,000
<b>Subtotal National Endowment for the Humanities</b>						--	<b>900,000</b>
<i>Department of Education</i>							
Adult Education	84.002	67890	(1)	96186	(1)	--	125,000
Title I Grants to Local Educational Agencies	84.010	78901	(1)	71685	(1)	--	4,000,000
Impact Aid	84.041	89012	--	--	--	--	285,000
Safe and Drug-Free Schools	84.186	90123	(1)	45557	(1)	--	550,000
Eisenhower Professional Development Grant	84.281	88558	(1)	46564	(1)	--	150,000
Goals 2000	84.276	53861	(1)	93864	(1)	--	220,000
<b>Subtotal Department of Education</b>						--	<b>5,330,000</b>
<i>Health and Human Services</i>							
Special Programs for the Aging, Nutrition	93.045	98813	(2)	97977	(2)	--	450,000
Community Partnership	93.194	53159	--	--	--	--	350,000
<b>Subtotal Health and Human Services</b>						--	<b>800,000</b>
<b>Total Federal Programs</b>						<b>\$100,000</b>	<b>\$11,920,000</b>

Key to pass-through entity identification  
 (1) State Department of Education  
 (2) State Department of Health and Human Services  
 (3) State Department of the Interior

**ABC Entity**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 200X**

**(1) Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance and federal cost-reimbursement contracts of ABC Entity. ABC Entity receives federal awards both directly from federal agencies and indirectly through pass-through entities.

Except for the loan balance in the Community Development Block Grants/Entitlement Grant program as discussed below, federal program expenditures included in the accompanying schedule are presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

**(2) Loans**

Federal expenditures for the Community Development Block Grants/Entitlement Grant program includes \$700,000 of new loans made or received during the year plus the balance of loans from previous years for which the grantor imposes continuing compliance requirements.

**(3) Major Programs**

Major programs are identified in the Summary of Auditor's Results section of the Schedule of Findings and Questioned Costs.



<p><b>g. AUDITEE CERTIFICATION STATEMENT</b> - This is to certify that, to the best of my knowledge and belief, the auditee has: (1) Engaged an auditor to perform an audit in accordance with the provisions of OMB Circular A-133 for the period described in Part I, Items 1 and 3; (2) the auditor has completed such audit and presented a signed audit report which states that the audit was conducted in accordance with the provisions of the Circular; and, (3) the information included in <b>Parts I, II, and III</b> of this data collection form is accurate and complete. I declare that the foregoing is true and correct.</p>	<p><b>g. AUDITOR STATEMENT</b> - The data elements and information included in this form are limited to those prescribed by OMB Circular A-133. The information included in Parts II and III of the form, except for Part III, Items 5 and 6, was transferred from the auditor's report(s) for the period described in Part I, Items 1 and 3, and is <b>not a substitute</b> for such reports. The auditor has not performed any auditing procedures since the date of the auditor's report(s). A copy of the reporting package required by OMB Circular A-133, which includes the complete auditor's report(s), is available in its entirety from the auditee at the address provided in Part I of this form. As required by OMB Circular A-133, the information in <b>Parts II and III</b> of this form was entered in this form by the auditor based on information included in the reporting package. The auditor has not performed any additional auditing procedures in connection with the completion of this form.</p>
Signature of certifying official _____ Date Month Day Year _____	
Name/Title of certifying official _____	Signature of auditor _____ Date Month Day Year _____

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 <input type="checkbox"/> Cognizant agency      2 <input checked="" type="checkbox"/> Oversight agency			
9. Name of Federal cognizant or oversight agency for audit. (Mark (X) one box)			
01 <input type="checkbox"/> African Development Foundation 02 <input type="checkbox"/> Agency for International Development 10 <input type="checkbox"/> Agriculture 11 <input type="checkbox"/> Commerce 94 <input type="checkbox"/> Corporation for National and Community Service 12 <input type="checkbox"/> Defense 84 <input type="checkbox"/> Education 81 <input type="checkbox"/> Energy 66 <input type="checkbox"/> Environmental Protection Agency	83 <input type="checkbox"/> Federal Emergency Management Agency 34 <input type="checkbox"/> Federal Mediation and Conciliation Service 39 <input type="checkbox"/> General Services Administration 93 <input type="checkbox"/> Health and Human Services 14 <input checked="" type="checkbox"/> Housing and Urban Development 03 <input type="checkbox"/> Institute for Museum Services 04 <input type="checkbox"/> Inter-American Foundation 15 <input type="checkbox"/> Interior	16 <input type="checkbox"/> Justice 17 <input type="checkbox"/> Labor 43 <input type="checkbox"/> National Aeronautics and Space Administration 89 <input type="checkbox"/> National Archives and Records Administration 05 <input type="checkbox"/> National Endowment for the Arts 06 <input type="checkbox"/> National Endowment for the Humanities 47 <input type="checkbox"/> National Science Foundation 07 <input type="checkbox"/> Office of National Drug Control Policy	08 <input type="checkbox"/> Peace Corps 59 <input type="checkbox"/> Small Business Administration 96 <input type="checkbox"/> Social Security Administration 19 <input type="checkbox"/> State 20 <input type="checkbox"/> Transportation 21 <input type="checkbox"/> Treasury 82 <input type="checkbox"/> United States Information Agency 64 <input type="checkbox"/> Veterans Affairs <input type="checkbox"/> Other - Specify:
PART II		FINANCIAL STATEMENTS (To be completed by auditor)	
1. Type of audit report (Mark (X) one box) 1 <input checked="" type="checkbox"/> Unqualified opinion      2 <input type="checkbox"/> Qualified opinion      3 <input type="checkbox"/> Adverse opinion      4 <input type="checkbox"/> Disclaimer of opinion			
2. Is a "going concern" explanatory paragraph included in the audit report?      1 <input type="checkbox"/> Yes      2 <input checked="" type="checkbox"/> No			
3. Is a reportable condition disclosed?      1 <input type="checkbox"/> Yes      2 <input checked="" type="checkbox"/> No -SKIP to Item 5			
4. Is any reportable condition reported as a material weakness?      1 <input type="checkbox"/> Yes      2 <input type="checkbox"/> No			
5. Is a material noncompliance disclosed?      1 <input type="checkbox"/> Yes      2 <input checked="" type="checkbox"/> No			

EIN: 123456789

PART III		FEDERAL PROGRAMS (To be completed by auditor)	
1. Type of audit report on major program compliance			
1 <input checked="" type="checkbox"/> Unqualified opinion		2 <input type="checkbox"/> Qualified opinion	
3 <input type="checkbox"/> Adverse opinion		4 <input type="checkbox"/> Disclaimer of opinion	
2. What is the dollar threshold to distinguish Type A and Type B programs §_.520(b)?			
<b>\$357,600</b>			
3. Did the auditee qualify as a low-risk auditee (§_.530)?			
1 <input type="checkbox"/> Yes		2 <input checked="" type="checkbox"/> No	
4. Are there any audit findings required to be reported under §_.510(a)?			
1 <input checked="" type="checkbox"/> Yes		2 <input type="checkbox"/> 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 checked="" 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: 123456789

PART III FEDERAL PROGRAMS - Continued		7. AUDIT FINDINGS AND QUESTIONED COSTS						
6. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR								
CFDA number <sup>1</sup> (a)	Name of Federal program (b)	Amount expended (c)	Major program (a)	Type of compliance requirement <sup>2</sup> (b)	Amount of questioned costs (c)	Internal control findings <sup>3</sup> (d)	Audit finding reference number(s) (e)	
10.553	School Breakfast Program	\$200,000	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 <input checked="" type="checkbox"/> C	N/A	
10.555	National School Lunch Program	\$175,000	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 <input checked="" type="checkbox"/> C	N/A	
14.218	Community Development Block Grant	\$1,000,000	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 <input checked="" type="checkbox"/> C	N/A	
14.235	Supportive Housing Program	\$375,000	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	E	\$ N/A	1 A 2 <input checked="" type="checkbox"/> B 3 C	00-1	
14.857	Section 8 Rental Certificate Program	\$1,720,000	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 <input checked="" type="checkbox"/> C	N/A	
15.904	Historic Preservation	\$100,000	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 <input checked="" type="checkbox"/> C	N/A	
16.580	Local Law Enforcement Grant	\$1,000,000	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 <input checked="" type="checkbox"/> C	N/A	
16.710	Community Policing	\$350,000	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 <input checked="" type="checkbox"/> C	N/A	
45.130	Challenge Grant	\$300,000	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 <input checked="" type="checkbox"/> C	N/A	
45.149	Humanities Preservation and Access	\$600,000	1 <input checked="" type="checkbox"/> Yes 2 <input type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 <input checked="" type="checkbox"/> C	N/A	
<b>TOTAL FEDERAL AWARDS EXPENDED</b>		See next page						IF ADDITIONAL LINES ARE NEEDED, PLEASE REFER TO THE INSTRUCTIONS FOR OMB CIRCULAR A-133 WORD PROCESSING TEMPLATE

EIN: 123456789

PART III FEDERAL PROGRAMS - Continued		7. AUDIT FINDINGS AND QUESTIONED COSTS						
6. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR								
CFDA number <sup>1</sup> (a)	Name of Federal program (b)	Amount expended (c)	Major program (a) 1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	Type of compliance requirement <sup>2</sup> (b) O	Amount of questioned costs (c) \$ N/A	Internal control findings <sup>3</sup> (d) 1 A 2 B 3 C	Audit finding reference number(s) (e) N/A	
84.002	Adult Education	\$125,000	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 C	N/A	
84.010	Title I Grants to Local Educational Agencies	\$4,000,000	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 C	N/A	
84.041	Impact Aid	\$275,000	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 C	N/A	
84.186	Safe and Drug-Free Schools	\$550,000	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 C	N/A	
84.281	Eisenhower Professional Development Grant	\$150,000	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 C	N/A	
84.276	Goals 2000	\$220,000	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 C	N/A	
93.045	Special Programs for the Aging—Nutrition	\$450,000	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 C	N/A	
93.194	Community Partnership	\$330,000	1 <input type="checkbox"/> Yes 2 <input checked="" type="checkbox"/> No	O	\$ N/A	1 A 2 B 3 C	N/A	
			1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			1 A 2 B 3 C		
			1 <input type="checkbox"/> Yes 2 <input type="checkbox"/> No			1 A 2 B 3 C		
<b>TOTAL FEDERAL AWARDS EXPENDED</b>		<b>\$11,920,000</b>						

IF ADDITIONAL LINES ARE NEEDED, PLEASE CUT AND PASTE THIS PAGE AS MANY TIMES AS NEEDED





**Uniform Guide for Initial Review of A-133 Audit Reports**

Federal agencies use the Initial Review Guide when performing desk reviews of A-133 audit reports. The objectives of the initial reviews are to ensure that audit reports meet applicable reporting requirements, (2) identify any follow-up audit work needed, (3) identify audits for potential quality control reviews, and (4) identify issues that may require management attention. Before completing the A-133 audit, consider reviewing this guide to gain an understanding of what the inspectors general will be looking for in their reviews. Following is the checklist for the initial review of A-133 audit reports. The checklist for a quality control review is presented as a separate practice aid (P/A 30). See the appendix to this Practice Aids section of the guide for the PCIE Web site.

**UNIFORM GUIDE FOR INITIAL REVIEW  
OF A-133 AUDIT REPORTS**



**President's Council on Integrity & Efficiency  
1999 Edition**

# INTRODUCTION

## Objectives and Purpose

The objectives of the initial review are to (1) ensure that audit reports meet applicable reporting standards and Office of Management and Budget (OMB) Circular A-133 reporting requirements, (2) identify any follow-up audit work needed, (3) identify audits for potential quality control reviews, and (4) identify issues that may require management attention. The purpose of this guide is to help ensure that the scope of the initial review is sufficient to fulfill these objectives and to ensure consistent reviews.

## Applicability and Use

This guide, intended for use in performing initial reviews of A-133 audit reports, is designed, to the extent possible, to be all that is necessary to support the results of the initial review. An initial review should be performed whenever a Quality Control Review is performed. This guide addresses only significant A-133 reporting requirements; agencies may wish to supplement the guide, if necessary, to better meet the specific needs of their individual programs. The reviewer may refer to Statement of Position (SOP) 98-3 and A-133 for the complete listing of reporting requirements. Because it is anticipated that agencies may conduct less detailed reviews of reports for which they have general oversight responsibility, this guide is not intended for reviews of those reports. However, it may be used for such reports if desired.

## Description

The checklist provided in this guide is generally organized by reporting standards and elements of an A-133 audit. Questions 1 through 11 relate to a single audit. Question 12 is for a program-specific audit. Questions 1 through 12, which should all be addressed, have been designed to show "Yes" or "N/A" (not applicable) answers as favorable responses. A "No" answer to questions 1 through 8 and 12(a-d) indicates an auditor deficiency, and a "No" answer to questions 9 through 11 and 12(e) indicates an auditee deficiency. All unfavorable responses must be fully explained and cross-referenced to the reporting package. (Favorable responses do not need to be cross-referenced.) It should be noted that unfavorable answers identify situations that could be undesirable but do not necessarily imply that the report is unacceptable. The reviewer must exercise professional judgment when answering the questions and reaching specific and overall conclusions on the quality of the report.

Questions 13 through 18 are optional for analysis of information contained in the reporting package and may require follow-up. For these questions, a "Yes" answer may indicate the need for follow-up.

## References

References are provided to enable the reviewer to refer to relevant standards and requirements. The reviewer should be familiar with the requirements and standards and have them available when performing the initial review. Below are abbreviations used to reference the requirements and standards:

- A-133      OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.
  
- AU          *Codification of Statements on Auditing Standards*, promulgated by the American Institute of Certified Public Accountants (AICPA).
  
- GAS        The financial audit standards contained in *Government Auditing Standards* (1994 Revision) published by the General Accounting Office (GAO).
  
- SOP 98-3    AICPA Statement of Position 98-3, *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards*.

**GENERAL INFORMATION**

**1. Auditee:** \_\_\_\_\_

**2. Audit Period:** \_\_\_\_\_

**3. Auditor or Audit Organization (including location):** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**4. Date of Report:** \_\_\_\_\_

**5. Federal Funding Agencies:** \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**6. Contacts (Indicate personnel contacted, the reasons contacted, and the results):**

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

## OVERALL CONCLUSIONS

1. In my opinion, the auditor's report(s) and Schedule of Findings and Questioned Costs are:

Acceptable (Contains no deficiencies or only minor deficiencies not requiring any changes or corrective action for the current audit.)

Technically Deficient (Contains deficiencies requiring correction that do not make the report unuseable for fulfilling one or more objectives of the audit.)

Substandard (Contains significant deficiencies that make the report unuseable for fulfilling one or more objectives of the audit.)

2. In my opinion, the auditee's schedule of expenditures of Federal awards and corrective action plan is:

Acceptable (Contains no deficiencies or only minor deficiencies not requiring any changes or corrective action for the current audit.)

Unacceptable (Contains deficiencies requiring correction.)

3. Describe any issues that warrant follow-up audit work.

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4. Describe reasons a quality control review should be considered.

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5. There are \_\_ or are not \_\_ issues that should be brought to the attention of program management. (Describe these issues.)

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Reviewer/Title

\_\_\_\_\_ Date

Supervisor/Title

\_\_\_\_\_ Date

Review Item	Yes	No	N/A	Ref.
<b>QUALIFICATIONS AND INDEPENDENCE</b>				
<p>1. Is the report free of indications that the auditor is not independent or is not qualified to perform the audit? <i>[If a question arises concerning the licensing of a public accountant, State licensing authorities should be able to provide the necessary information.]</i> (AU 210.01-.05, 220.01-.07; GAS 3.10-3.25)</p>				
<p><b>REPORTING</b></p> <p>The reporting section of this guide is organized in accordance with the recommended reporting format contained in SOP 98-3. Other reporting formats containing the required elements are acceptable. Reports may be combined or separated.</p> <p><b>Opinion on the Financial Statements and Schedule of Expenditures of Federal Awards</b></p>				
<p>2. Do the general-purpose financial statements reflect the financial position, results of operations or changes in net assets, and, where appropriate, the cash flows of the entity for the fiscal year audited, or was the auditor's report appropriately modified? (A-133 .310(a); SOP 98-3 4.1)</p>				
<p>3. Does the opinion on the financial statements contain the required elements? The SOP 98-3 contains the following provisions: (AU 508.08, 551.06, 623.05; A-133 .505(a); SOP 98-3 10.35)</p>				
<p>a. A statement that the financial statements identified in the opinion were audited. (AU 508.08b;SOP 98-3 10.35b)</p> <p>b. A statement that the audit was conducted in accordance with generally accepted auditing standards and with applicable GAS. (AU 508.08d; GAS 5.13; SOP 98-3 10.35d)</p> <p>c. If the financial statements are intended to be presented in accordance with another comprehensive basis of accounting, the opinion should include a paragraph that states the basis of presentation and refers to the note to the financial statements that describes the basis. (AU 623.05d(1); SOP 98-3 10.35h)</p>				



Review Item	Yes	No	N/A	Ref.
<ul style="list-style-type: none"> <li>d. An opinion (or disclaimer of opinion) on the financial statements. (AU 508.08h; SOP 98-3 10.35h)</li> <li>e. A description of the accompanying supplementary information (Schedule of Expenditures of Federal Awards). (AU 551.06b; SOP 98-3 10.35j)</li> <li>f. 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. (AU 551.06d; SOP 98-3 10.35i)</li> <li>g. The manual or printed signature of the auditor's firm. (AU 508.08i; SOP 98-3 10.35m)</li> <li>h. The date of the audit report. (AU 508.08j; SOP 98-3 10.35n)</li> </ul>				
<p><b>Report on Compliance and on Internal Control over Financial Reporting Based on an Audit of Financial Statements Performed in Accordance with GAS</b></p>				
<p>4. Do(es) the report(s) on compliance and internal control over financial reporting contain the required elements? The SOP contains the following provisions: (A-133 .505; SOP 98-3 10.39)</p>				
<ul style="list-style-type: none"> <li>a. A statement that the audit was conducted in accordance with generally accepted auditing standards and with applicable GAS. (GAS 5.13; SOP 98-3 10.39b)</li> <li>b. A statement that, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, the auditor performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. (SOP 98-3 10.39c)</li> <li>c. A statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under GAS and, if they are, describes the instances of noncompliance or refers to the schedule of findings and questioned costs. (SOP 98-3 10.39e)</li> </ul>				

Review Item	Yes	No	N/A	Ref.
<p>d. A statement that in planning and performing the audit, the auditor considered the auditee's internal control over financial reporting. (SOP 98-3 10.39g)</p> <p>e. If reportable conditions were noted, a description of the reportable condition(s) or a reference to the schedule of findings and questioned costs and a statement about whether the auditor believes any of the reportable conditions described in the report are material weaknesses and, if so, identifies which one(s). (SOP 98-3 10.39j and l)</p> <p>f. If no reportable conditions were 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 and a statement that no material weaknesses were noted. (SOP 98-3 10.39i and l)</p> <p>g. The manual or printed signature of the auditor's firm. (SOP 98-3 10.39o)</p> <p>h. The date of the report. (SOP 98-3 10.39p)</p>				
<p><b>Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with Circular A-133</b></p>				
<p>5. Do(es) the report(s) on compliance and internal control contain the required elements? The SOP contains the following provisions: (A-133 .505; SOP 98-3 10.46)</p>				
<p>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. (SOP 98-3 10.46a)</p> <p>b. A statement that the audit was conducted in accordance with generally accepted auditing standards, applicable GAS, and A-133. (SOP 98-3 10.46d)</p>				

Review Item	Yes	No	N/A	Ref.
<p>c. If instances of noncompliance are noted that result in an opinion modification, a reference to a description of the related findings in the accompanying schedule of findings and questioned costs, including reference number(s) of the finding(s), identification of the type(s) of compliance requirements, and the related major program(s). (SOP 98-3 10.46i)</p> <p>d. An opinion (or disclaimer of opinion) on whether the auditee complied, in all material respects, with the types of compliance requirements that apply to each of its major programs. (SOP 98-3 10.46j)</p> <p>e. If applicable, a statement that instances of noncompliance that are required to be reported in accordance with A-133 were disclosed. If so, reference to the schedule of findings and questioned costs in which they are described is required. (SOP 98-3 10.46k)</p> <p>f. 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 expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with A-133. (SOP 98-3 10.46m)</p> <p>g. 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). (SOP 98-3 10.46o)</p> <p>h. If there are reportable conditions, 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 weakness. If there are no reportable conditions, a statement that no material weaknesses were noted. (SOP 98-3 10.46r)</p> <p>i. The manual or printed signature of the auditor's firm. (SOP 98-3 10.46t)</p> <p>j. The date of the report. (SOP 98-3 10.46u)</p>				

Review Item	Yes	No	N/A	Ref.
<b>Schedule of Findings and Questioned Costs</b>				
<p>6. Does the schedule of findings and questioned costs include a summary of audit results section containing the following elements: (A-133 .505(d); SOP 98-3 10.56)</p>				
<p>a. Identification of the auditee's major programs? (A-133 .505(d)(vii); SOP 98-3 10.56a)</p> <p>b. Dollar threshold used to distinguish between type A and B programs? (A-133 .505(d)(viii); SOP 98-3 10.56a)</p> <p>c. Whether the auditee qualified as a low-risk auditee? (A-133 .505(d)(ix); SOP 98-3 10.56a)</p>				
<p>7. Are the Federal findings presented in sufficient detail? Consider whether the reported deficiency provides the following information: (A-133 .510(b); SOP 98-3 10.64)</p>				
<p>a. Federal program and specific Federal award identification, including the Catalog of Federal Domestic Assistance (CFDA) title and number, Federal award number and year, name of Federal agency, and name of applicable pass-through entity. When information such as the CFDA title and number or Federal award number is not available, the auditor should provide the best information available to describe the Federal award. (A-133 .510(b)(1); SOP 98-3 10.64a)</p> <p>b. The criteria or specific requirement upon which the audit finding is based, including the statutory, regulatory, or other citation. (A-133 .510(b)(2); SOP 98-3 10.64b)</p> <p>c. The condition found, including facts that support the deficiency identified in the audit finding. (A-133 .510(b)(3); SOP 98-3 10.64c)</p> <p>d. Identification of questioned costs and how they were computed. (A-133 .510(b)(4); SOP 98-3 10.64d)</p> <p>e. Information to provide proper perspective for judging the prevalence and consequences of the audit findings, such as whether the findings represent an isolated instance or a systemic problem.</p>				

Review Item	Yes	No	N/A	Ref.
<p>Where appropriate, instances identified should be related to the universe and the number of cases examined and be quantified in terms of dollar value. (A-133 .510(b)(5); SOP 98-3 10.64e)</p> <p>f. The possible asserted effect to provide sufficient information to the auditee and Federal agency, or pass-through entity in the case of a subrecipient, to permit them to determine the cause and effect to facilitate prompt and proper corrective action. (A-133 .510(b)(6); SOP 98-3 10.64f)</p> <p>g. Recommendations to prevent future occurrences of the deficiency identified in the audit finding. (A-133 .510(b)(7); SOP 98-3 10.64g)</p> <p>h. Views of responsible officials of the auditee when there is a disagreement with the audit findings, to the extent practical. [Note: The auditor may reference the entity's corrective action plan to describe the views of responsible officials. If those views oppose the auditor's findings, the auditor should state the reasons for rejecting those views.] (A-133 .510(b)(8); GAS 7.38-.42; SOP 98-3 10.64h)</p> <p>i. A reference number for each finding. (A-133 .510(c); SOP 98-3 10.65)</p>				
<p>8. If the reviewer is aware of any reportable instances of noncompliance or internal control reportable conditions, were these instances disclosed? If not, the report should not be accepted until it is amended. [Note: The reviewer may satisfy this question by considering documents such as the management letter, the financial statements, or other information.]</p>				
<p><b>Corrective Action Plan</b> (Note: The corrective action plan is the responsibility of the auditee.)</p>				
<p>9. Does the corrective action plan include the following for each finding: (A-133 .315(c); SOP 98-3 10.68)</p> <p>a. Corrective action or reasons that corrective action is not required?</p> <p>b. Planned corrective action completion date(s)?</p> <p>c. The auditee contact person(s) responsible for corrective action?</p>				

Review Item	Yes	No	N/A	Ref.
<p><b>Schedule of Expenditures of Federal Awards</b>  <i>(Note: The Schedule of Expenditures of Federal Awards is the responsibility of the auditee.)</i></p>				
<p>10. Does the report include a Schedule of Expenditures of Federal Awards that: (A-133 .310(b); SOP 98-3 5.6)</p> <p>a. Lists individual Federal programs by Federal agency and, for a cluster, lists individual Federal programs within a cluster of programs? For research and development, the total Federal awards expended must be shown either by individual award or by Federal agency and major subdivision within the Federal agency. (A-133 .310(b)(1); SOP 98-3 5.6)</p> <p>b. Includes, for Federal awards received as a subrecipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity? (A-133 .310(b)(2); SOP 98-3 5.6)</p> <p>c. Provides the total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA number is not available? (A-133 .310(b)(3); SOP 98-3 5.6)</p> <p>d. Includes notes that describe the significant accounting policies used in preparing the schedule? (A-133 .310(b)(4); SOP 98-3 5.6)</p> <p>e. Includes, in either the schedule or a note to the schedule, the value of Federal awards expended in the form of noncash assistance, the amount of insurance in effect during the year, and loans and loan guarantees outstanding at year-end? (A-133 .310(b)(6); SOP 98-3 5.6)</p>				
<p>11. Are all programs known by the reviewer to have been administered by the auditee and those identified elsewhere in the report included in the schedule? <i>[Note: This question is intended to be answered based on the reviewer's prior knowledge and the review of the report. It is not intended that the reviewer conduct research to determine what grants the entity received.]</i></p>				
<p><b>PROGRAM-SPECIFIC AUDIT</b></p>				

Review Item	Yes	No	N/A	Ref.
SOP 98-3 recommends that the reporting on compliance and on the internal control be combined in one report; however, separate reports may be issued. (SOP 98-3 10.8-.9)				
<p>12. If the auditor did not use a program-specific guide because one was not available or not current, were the following issued for the program and found to be acceptable by the reviewer: (A-133 .235; SOP 98-3 11.6, 11.8) <i>[Note: The reviewer may refer to the appropriate questions in this guide for guidance concerning these reports.]</i></p> <p>a. Opinion (or disclaimer of opinion) on the financial statements of the Federal program? (A-133 235(b)(4)(i); SOP 98-3 11.8)</p> <p>b. Report on internal control related to the Federal program? (A-133 235(b)(4)(ii); SOP 98-3 11.8)</p> <p>c. Report on compliance, including an opinion (or disclaimer of opinion) as to whether the auditee complied with laws, regulations, and the provisions of contracts or grants that could have a direct and material effect on the Federal program? (A-133 235(b)(4)(iii); SOP 98-3 11.8)</p> <p>d. Schedule of findings and questioned costs? <i>[Note: Refer to questions 6 and 7 for the required elements of the schedule.]</i> (A-133 235(b)(4)(iv); SOP 98-3 11.8)</p> <p>e. Corrective action plan? <i>[Note: Refer to question 9 for the required elements of the plan.]</i> (A-133 235(b)(2); SOP 98-3 11.6)</p> <p><b>OTHER</b></p> <p>Questions 13 through 18 are optional for analysis of information contained in the audit report and may require follow-up. The questions have been designed to indicate that a "Yes" answer possibly requires follow-up.</p> <p>13. Do the reports indicate the existence of a separate management letter? (GAS 5.20, 5.28; SOP 98-3 10.29) If "yes," consider obtaining a copy. (A-133 .320(f))</p> <p>14. Do the notes indicate any condition that negatively affects Federal awards or that should be reported to Federal officials? (If "Yes," explain below.)</p>				

Review Item	Yes	No	N/A	Ref.
<p>15. Do the internal service funds have an unreasonably high fund equity?  <i>[Note: If internal service funds have a significant fund equity, it could be an indication that excessive user fees are being charged for central or interagency services, including those services provided to Federal programs. If the reviewer concludes that the financial statements indicate excess user fees, he/she may want to identify this as an audit lead for follow-up.]</i></p>				
<p>16. Are any of the opinions other than unqualified? Evaluate to determine the possible effect on Federal programs and if further actions are required.</p>				
<p>17. Does the summary schedule of prior audit findings indicate any issues affecting the current period that need to be brought to the attention of program managers?</p>				
<p>18. Does the report contain indications of fraudulent or illegal acts of a criminal nature or other sensitive matters affecting Federal awards?</p>				

Reference	Notes





## **Uniform Quality Control Review Guide of A-133 Audits**

The federal agencies use this checklist when performing a quality control review of an A-133 audit. The objectives of a quality control review (QCR) of a single audit are to (1) ensure that the audit was conducted in accordance with applicable standards and meets the single audit requirements, (2) identify any follow-up audit work needed, and (3) identify issues that may require management attention. The purpose of this document is to help ensure that the scope of the QCR is sufficient to fulfill the review objectives, is consistent among cognizant agencies for audit, and provides support for the results of the QCR. The QCR Guide begins on the following page of this Practice Aid. The checklist for the initial review of A-133 audit reports by federal agencies is presented as a separate Practice Aid (P/A 29). See the appendix to this practice aids section of the guide for the PCIE Web site.

**UNIFORM QUALITY CONTROL REVIEW  
GUIDE FOR A-133 AUDITS**



**President's Council on Integrity & Efficiency  
1999 Edition**

# INTRODUCTION

## Objectives and Purpose

The objectives of a quality control review (QCR) of a single audit are to (1) ensure that the audit was conducted in accordance with applicable standards and meets the single audit requirements, (2) identify any follow-up audit work needed, and (3) identify issues that may require management attention. The purpose of this document is to help ensure that the scope of the QCR is sufficient to fulfill the review objectives, is consistent among cognizant agencies for audit, and provides support for the results of the QCR.

## Applicability and Use

This document is intended for use as a guide by all Federal agencies when conducting QCRs of A-133 audits. The reviewer must exercise professional judgment when completing the checklist provided in this guide and reaching specific and overall conclusions on the quality of the audit.

If an agency wishes to adapt this document to fit into its overall non-Federal audit quality control system, all checklist items should be included in the checklist that is developed. Agencies may supplement this guide with additional items if desired. Because a QCR may not review all major programs, judgment should be used in selecting the programs to be reviewed.

## Description

The checklist is generally organized by audit standards and elements of an A-133 audit. The focus is on the portions of the A-133 audit that are of most interest to Federal officials. A QCR includes an initial review. QCRs performed with the use of this and the initial review checklists provide evidence of the reliability of A-133 audits to auditors of Federal agency financial statements, such as those required by the Chief Financial Officers (CFO) Act, and others.

All questions should be addressed; however, questions 11 and 12 are optional and need be answered only when information concerning Federal program receivables and payables are required for selected programs, such as Medicaid, for the Federal CFO audit. It is intended that this checklist serve as the principal documentation to support the QCR. When a QCR shows that the audit meets all professional standards and requirements of A-133, the checklist and A-133 report are sufficient to provide reasonable coverage for Federal CFO audits at an individual auditee for the programs covered by the QCR.

The questions in this checklist have been designed to indicate "Yes" or "N/A" (not applicable) answers as favorable responses. All "No" (unfavorable) responses must be fully explained. It should be noted that unfavorable responses identify situations that could be undesirable but do not necessarily imply that the report is unacceptable. When deficiencies are noted, the checklist should be cross-referenced to the auditor's working papers. Where appropriate, copies of the working papers should be obtained to document deficiencies noted.

Attachment I of this guide, which is used in reviewing major programs, could be adapted for use in Federal agency reviews of program-specific audits.

## References

References are provided to enable the reviewer to refer to relevant requirements and standards. The reviewer should be familiar with the requirements and standards and have them available when performing the QCR. The reviewer should also be familiar with and have available the *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* in effect for the period audited. Below are the abbreviations used to reference the requirements and standards:

A-133	OMB Circular A-133, <i>Audits of States, Local Governments, and Non-Profit Organizations</i> .
AU	<i>Codification of Statements on Auditing Standards</i> , promulgated by the American Institute of Certified Public Accountants (AICPA).
GAS	The financial audit standards contained in <i>Government Auditing Standards</i> (1994 Revision), published by the General Accounting Office (GAO).
SOP 98-3	American Institute of Certified Public Accountants (AICPA) Statement of Position 98-3, <i>Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards</i> .
SF-SAC	<i>Data Collection Form for Reporting on Audits of States, Local Governments, and Non-Profit Organizations</i> .

**GENERAL INFORMATION**

1. **Auditee:** \_\_\_\_\_

2. **Audit Period:** \_\_\_\_\_

3. **Auditor or Audit Organization (including location):** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

4. **Dates of Review:** \_\_\_\_\_

5. **Review Team Members**

**Organization**

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

6. **Basis of Selection:** Random \_\_\_\_ Judgmental \_\_\_\_

7. **Contacts (Indicate personnel contacted):** \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## SUMMARY RESULTS OF QUALITY CONTROL REVIEW

Auditee: \_\_\_\_\_

Standards/Requirements	Checklist Reference	Acceptable	Technically Deficient	Substandard
<b>General Standards:</b>				
Auditor Qualifications <sup>1</sup>	1	_____	_____	_____
Independence	2 - 3	_____	_____	_____
Due Professional Care <sup>1</sup>	4	_____	_____	_____
Quality Control	5 - 6	_____	_____	_____
<b>Fieldwork Standards:</b>				
Planning and Supervision	7 - 10	_____	_____	_____
Federal Receivables and Payables	11 - 12	_____	_____	_____
Other Standards Affecting Federal Awards	13 - 15	_____	_____	_____
<b>Single Audit Requirements:</b>				
Determination of Major Programs	16 - 22	_____	_____	_____
Schedule of Expenditures of Federal Awards	23 - 24	_____	_____	_____
Audit Follow-Up	25	_____	_____	_____
Reporting	26 - 29	_____	_____	_____
Summary	30 - 34	_____	_____	_____
Data Collection Form	35 - 37	_____	_____	_____

<sup>1</sup> The overall results of the QCR should be considered in addition to the checklist items when assessing the adequacy of the auditors' qualifications and the level of due professional care.

## OVERALL CONCLUSIONS

1. In my opinion, the audit is: *(Note: The reviewer should consider the results from the initial review and QCR in assessing the overall quality of the audit.)*

- |  |  |
|--|--|
| <input type="checkbox"/> Acceptable            | Contains no deficiencies or only minor deficiencies not requiring any changes or corrective action for the current audit.  |
| <input type="checkbox"/> Technically Deficient | Contains deficiencies requiring corrective action that do not appear to affect the audit results.  |
| <input type="checkbox"/> Substandard           | Contains significant audit deficiencies that could potentially affect the audit results, thus making the report unusable for fulfilling one or more objectives of the audit. |

2. Describe any issues that warrant follow-up audit work.

3. There are \_\_ or are not \_\_ program issues that should be brought to the attention of program management. (Describe these issues.)

4. There are \_\_ or are not \_\_ issues that should be brought to the attention of program management concerning needed changes to the Compliance Supplement. (Describe these issues.)

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
Reviewer                      Title                      Date

\_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_  
Reviewer                      Title                      Date



Review Item	Yes	No	N/A	Ref.
<p style="text-align: center;"><b>GENERAL STANDARDS</b></p> <p><b>Auditor Qualifications</b></p> <p>1. Did those responsible for planning, directing, conducting, and reporting on the audit meet the GAS continuing professional education requirements? (GAS 3.6) <i>[Note: Reviewers may rely on the results of the most recent external QCR (peer review) in evaluating compliance with this requirement.]</i></p> <p><b>Independence</b></p> <p>2. Were the working papers free of indications that the auditor or audit organization lacked independence? (GAS 3.11-.25; AU 220.01)</p> <p>3. Are the audit organization's peer review report and related letter of comments (if any) free of any findings concerning a lack of independence? If not, the reviewer should consider the relevant problems indicated in the peer review. (GAS 3.18-.25)</p> <p><b>Due Professional Care</b></p> <p>4. Was the scope of the audit sufficient to meet the requirements of an A-133 audit, and were all limitations, restrictions, or impairments to the audit scope properly disclosed in the auditor's report(s)? (GAS 3.28; AU 508.22-.57; A-133.500)</p> <p><b>Quality Control</b></p> <p>5. Did the audit organization have a peer review within the last 3 years? (GAS 3.33; SOP 98-3 3.12)</p> <p>6. Did the results of the peer review indicate that the audit organization's internal quality control system was operating effectively and that applicable auditing standards were being followed? If not, the reviewer should consider the relevant problems indicated in the peer review. (GAS 3.31, 3.33; SOP 98-3 3.12)</p>				

Review Item	Yes	No	N/A	Ref.
<b>FIELDWORK STANDARDS</b>  <i>[Note: The reviewer may address questions in this section based solely on the review of audit work performed for major programs and portions of the financial statements reviewed.]</i>				
<b>Planning and Supervision</b>  7. Did the working papers (including the audit program) evidence that the audit was adequately planned and supervised? <i>(Note: Reviewers may wish to answer this question after completing the review guide.)</i> (GAS 4.6-.11)  8. Did the auditor consider the effect of computer processing on the nature, timing, and extent of auditing procedures, including the need to assess the reliability of computer output? (AU 311.09)  9. If the auditor used the work of an internal auditor, were generally accepted auditing standards (GAAS) followed? (AU 322.01-.29; SOP 98-3 3.45)  10. If part of the audit was performed by other auditors, were GAAS followed? (AU 543.01-.15; SOP 98-3 3.41, 3.44)  <i>[Note: If the work done by the other auditor was significant with respect to the Federal objectives of the single audit, a QCR of the other auditor's working papers should be considered.]</i>  <i>[Note: Questions 11 and 12 are optional.]</i>				
<b>Testing of Federal Program Receivables and Payables in a Financial Statement Audit</b>  11. When accounts receivable from the Federal Government are material to the auditee's financial statements:  a. Did the auditor perform procedures to gain an understanding of internal control over accounts receivable from the Federal Government, assess control risk, and document the understanding and risk assessment? (GAS 4.21; AU 319.02 -.57; SOP 98-3 4.13)  b. Did the auditor's substantive testing provide sufficient, competent evidence to provide reasonable assurance that accounts receivable from the Federal Government reported in the financial statements were fairly presented? (AU 312.25, 319.79-.82)				

Review Item	Yes	No	N/A	Ref.
<p>12. When accounts payable to the Federal Government are material to the auditee's financial statements:</p> <p>a. Did the auditor perform procedures to gain an understanding of internal control over accounts payable to the Federal Government, assess control risk, and document the understanding and risk assessment? (GAS 4.21; AU 319.02-.57; SOP 98-3 4.13)</p> <p>b. Did the auditor's substantive testing provide sufficient, competent evidence to provide reasonable assurance that the accounts payable to the Federal Government reported in the financial statements were fairly presented? (AU 312.25, 319.79-.82)</p>				
<p><b>Other Standards Affecting Federal Awards</b></p>				
<p>13. Were written management representations obtained concerning Federal awards covering the following areas: [<i>Note: Additional representations may have been obtained by the auditor.</i>] (SOP 98-3 6.68-.69)</p>				
<p>a. Identification and completeness of the list of Federal award programs?</p> <p>b. Compliance with Federal requirements?</p> <p>c. Identification of known instances of noncompliance?</p>				
<p>14. Did the auditor perform the required audit procedures concerning litigation, claims, and assessments? (AU 337.05-.09)</p>				
<p>15. If evidence of possible fraud or illegal acts involving Federal funds was found, did the auditor:</p> <p>a. Attempt to obtain sufficient, competent evidence to determine whether, in fact, material fraud or illegal acts occurred and, if so, their effect on the financial statements and on other aspects of the audit? (AU 316.35, 317.10-.16)</p> <p>b. Report relevant information in accordance with the requirements of GAS and A-133? (GAS 5.18-.25; A-133.510(a)(6))</p> <p>c. Ensure that the auditee reported the matter to the entity that provided the assistance? (GAS 5.23)</p>				

Review Item	Yes	No	N/A	Ref.
<p style="text-align: center;"><b>SINGLE AUDIT REQUIREMENTS</b></p> <p><i>[Note: The reviewer may address questions in this section based solely on the review of audit work performed for major programs and portions of the financial statements reviewed.]</i></p> <p><b>Determination of Major Programs</b></p> <p>16. If the auditor did not use a risk-based approach to determining major Federal programs, was this allowable and was the approach used allowable? (A-133 .520(i); SOP 98-3 7.20)</p> <p>17. If the auditee was considered a low-risk auditee, did the working papers evidence that the auditor determined that the following conditions were met for each of the preceding 2 years or, in the case of biennial audits, the preceding two audit periods: (A-133 .530; SOP 98-3 7.25)</p> <p>a. Annual single audits were performed on the entity covered by the audit under review or, if a biennial audit, prior approval was obtained from the cognizant or oversight agency? <i>[Note: An entity does not meet the criteria for a low-risk auditee if it was included in the single audit of a different entity for either of the prior 2 years' audits.]</i></p> <p>b. The auditor's opinions on the financial statements and the schedule of expenditures of Federal awards were unqualified, or qualifications were waived by the cognizant or oversight agency?</p> <p>c. No deficiencies in internal control were identified as material weaknesses under the requirements of GAS, or findings were waived by the cognizant or oversight agency?</p> <p>d. None of the Federal programs had audit findings from any of the following in either of the preceding 2 years (or, in the case of biennial audits, the preceding two audit periods) in which they were classified as Type A programs:</p> <p>(1) Internal control deficiencies that were identified as material weaknesses?</p> <p>(2) Noncompliance with the provisions of laws, regulations, contracts, or grant agreements that have a material effect on the Type A program?</p> <p>(3) Known or likely questioned costs that exceed 5 percent of the</p>				

Review Item	Yes	No	N/A	Ref.
total Federal awards expended for a Type A program during the year?				
<p>18. Did the auditor identify the larger Federal programs based on the dollar thresholds identified in A-133 520(b) and label them as Type A programs, with the remaining programs labeled as Type B? (A-133 .520; SOP 98-3 7.5-.6)</p> <p>a. When identifying Type A programs, were loans or loan guarantees that significantly affect the number or size of Type A programs considered as Type A and their values excluded in determining other Type A programs? (A-133 .520(b)(3); SOP 98-3 7.7)</p> <p>19. Did the auditor perform and document risk assessment procedures on each Type A program to identify those that are low risk? (A-133 .520(c)(1); SOP 98-3 7.10-.12)</p> <p>20. Were all Type A programs that were identified as low-risk: (A-133 .520(c)(1); SOP 98-3 7.10-.12)</p> <p>a. Audited as a major program in at least one of the two most recent audit periods (in the most recent audit period in the case of a biennial audit)?</p> <p>b. Free of audit findings under A-133 .510(a)(1), (2), and (5)?</p> <p>c. Free of audit findings described in A-133 .510(a)(3), (4), (6), and (7), or did the working papers document the basis for the auditor's judgment that such findings did not preclude a Type A program from being low risk?</p> <p>d. Based on a documented risk assessment showing that the auditor applied professional judgment and considered the criteria in A-133 .525(c), .525(d)(1), (2), and (3), the results of audit follow-up, and any changes in personnel or systems? (A-133 .520(c)(1))</p> <p>21. Did the auditor consider the criteria in A-133 when performing the risk assessments on Type B programs? (A-133 .520(d);SOP 98-3 7.14)</p> <p>22. At a minimum, did the auditor audit all of the following as major programs: (A-133 .520; SOP 98-3 7.17)</p> <p>a. All Type A programs not identified as low risk?</p> <p>b. Option 1: At least half of the high-risk Type B programs over the Type B threshold, if risk was assessed for all Type B programs subject to risk assessment? <i>(Note: The auditor is not required to audit more high-risk Type B programs than the number of Type A</i></p>				

Review Item	Yes	No	N/A	Ref.
<p><i>programs identified as low risk.)</i></p> <p>or</p>				
<p>Option 2: At least one high-risk Type B program for each low-risk Type A program?</p> <p>c. Programs that are requested in accordance with the requirements in A-133 .215(c) to be audited as major?</p> <p>d. Such additional programs as may be necessary to comply with the percentage of coverage rule?</p>				
<p><b>Schedule of Expenditures of Federal Awards</b></p>				
<p>23. Do the working papers evidence that the auditor:</p> <p>a. Performed procedures to determine that 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? (SOP 98-3 5.1)</p> <p>b. Determined that the auditee was able to reconcile amounts presented in the schedule to amounts in the financial statements? (SOP 98-3 5.5)</p> <p>c. Assessed the appropriateness and completeness of the auditee's identification of Federal programs included in the schedule? (SOP 98-3 5.4)</p> <p>d. Considered whether a reportable condition existed if the auditee was unable to identify federally funded expenditures separately? (SOP 98-3 5.4)</p> <p>e. Determined that the auditee properly disclosed the basis of accounting and the significant accounting policies used in preparing the schedule? (SOP 98-3 5.5)</p>				
<p>24. Were Federal awards identified in the audit working papers (including noncash awards) included in the schedule? (SOP 98-3 5.4)</p>				
<p><b>Audit Follow-Up</b></p>				
<p>25. Did the auditor perform procedures to assess the reasonableness of the Summary Schedule of Prior Findings? (A-133 .500(e))</p>				

Review Item	Yes	No	N/A	Ref.
<p><b>Reporting</b></p> <p><i>[Note: Reviewers should obtain the results of the initial review of the audit report for the entity subject to QCR. If an initial review was not performed, the reviewer should perform an initial review using the PCIE Uniform Guide for Initial Review of A-133 Audit Reports. In either case, the following additional report review items should be completed during the QCR process.]</i></p>				
<p>26. Was all noncompliance that could have a direct and material effect on the financial statements and that was identified in the audit working papers reported? (GAS 5.15; A-133 .505(d)(2))</p> <p>27. Were all reportable conditions that could have a direct and material effect on the determination of financial statement amounts and that were identified in the audit working papers reported? (GAS 5.15, 5.26; A-133 .505(d)(2); SOP 98-3 10.28)</p> <p>28. If reportable conditions were identified that were not considered to be material weaknesses, do the audit working papers document the auditor's assessment to this effect, and does the assessment appear reasonable?</p> <p>29. Did the auditor report known questioned costs exceeding \$10,000 for a Federal program that is not audited as a major program? (A-133 .510(a)(4); SOP 98-3 10.63(d))</p>				
<p><i>Complete Attachment I for each major program reviewed. The following questions capture the overall summary of results relating to major programs for which Attachment I was completed.</i></p> <p><b>List of Major Programs Reviewed</b></p>				

Review Item	Yes	No	N/A	Ref.
<p><b>Summary Results of Attachment I</b></p> <p><i>Internal Control Over Major Programs</i></p> <p>30. Was the internal control planning and testing adequate for each major program for which Attachment I was completed? (A-133 .500(c))</p> <p>31. Did the Schedule of Findings and Questioned Costs include all reportable conditions in internal control over major programs? <i>[Note: The determination of whether a deficiency in internal control is reportable is made in relation to a type of compliance requirement or an audit objective identified in the Compliance Supplement for a major program.]</i> (A-133 .510(a)(1))</p> <p><i>Compliance Requirements for Major Programs</i></p> <p>32. Did the auditor properly determine whether the auditee complied with laws, regulations, and provisions of contracts or grant agreements that may have a direct and material effect on each of its major programs? (A-133.500(d))</p> <p>33. In the reviewer's judgment, was the proper opinion rendered on each major program based on the results of audit tests identified in the audit working papers? (SOP 98-3 6.52)</p> <p>34. Did the Schedule of Findings and Questioned Costs include all compliance findings and questioned costs required to be reported? (A-133.510(a)(2-7); SOP 98-3 10.63(b-g))</p> <p><b>Data Collection Form</b></p> <p>35. Based on the reporting package, data collection form, and results of the QCR, did the auditor properly identify in Part III, Item 5, the Federal agencies required to receive the reporting package? (A-133 .320(b)(3); SOP 98-3 10.72)</p> <p>36. Based on the reporting package, data collection form, and results of the QCR, did the auditor properly complete Part III, Item 6? <i>[Note: The reviewer may answer this question based on the major programs that were reviewed as part of the QCR.]</i> (A-133 .320(b)(3); SOP 98-3 10.72)</p> <p>37. Based on the reporting package, data collection form, and results of the</p>				



Review Item	Yes	No	N/A	Ref.
<p>QCR, did the auditor properly complete Part III, Item 7? [Note: The reviewer may answer this question based on the major programs that were reviewed as part of the QCR.] (A-133 .320(b)(3); SOP 98-3 10.72)</p>				

Reference	Notes


Review Item	Yes	No	N/A	Ref.
<b>A SEPARATE ATTACHMENT SHOULD BE COMPLETED FOR EACH MAJOR PROGRAM REVIEWED</b>				
<b>Materiality Considerations Relating to Major Federal Programs</b>  1. Did the auditor, in designing audit tests and developing an opinion on major program compliance, determine materiality based on the major program? (SOP 98-3 3.35, 6.14-.15)				
<b>Internal Control</b>  3. For each of the 14 types of compliance requirements (listed in the Compliance Supplement) that are applicable and material to the major program, did the auditor document an understanding of the 5 components of internal control (Control Environment, Risk Assessment, Control Activities, Information and Communication, and Monitoring) sufficient to plan the audit to support a low assessed level of control risk? (A-133 .500(c)(1); SOP 98-3 8.7, 8.9-.11)  4. Did the auditor plan the testing of internal control over the major program to support a low assessed level of control risk for the assertions relevant to each material compliance requirement for the major program? (A-133 .500(c)(2)(i); SOP 98-3 8.16)  5. Did the auditor perform the planned testing of internal control? (A-133 .500(c)(2)(ii); SOP 98-3 8.16)  6. If the auditor omitted testing of controls for any material requirement because the auditor concluded that internal control was likely to be ineffective, did the report and workpapers include the following: (A-133 .500(c)(3); SOP 98-3 8.20-.21, 8.24) <ul style="list-style-type: none"> <li>a. A reportable condition as part of the audit findings?</li> <li>b. Control risk assessed at the maximum and a consideration of whether additional tests were required?</li> </ul>				

## ATTACHMENT I

**Quality Control Review**

**Auditee:** \_\_\_\_\_

**Program:** \_\_\_\_\_

**CFDA #:** \_\_\_\_\_

Review Item	Yes	No	N/A	Ref.
7. Do the working papers adequately document the work performed and the conclusions reached? (AU 339.05)				
8. In the judgment of the reviewer, were the nature and extent of the documented tests of controls sufficient to enable the auditor to reach a conclusion on the effectiveness of internal control for preventing or detecting noncompliance relevant to the material compliance requirements for the major program?				
9. Do the working papers evidence that the auditor's determination of whether a deficiency in internal control was a reportable condition was made in relation to a type of compliance requirement for a major program or an audit objective identified in the Compliance Supplement? (A-133 .510(a)(1); SOP 98-3 8.26)				
10. Were all reportable conditions identified as audit findings? (A-133 .510(a)(1); SOP 98-3 10.63a)				
<b>Compliance Testing</b>				
11. Did the auditor identify all applicable and material compliance requirements for the major program? <i>(Note: For programs included in the Compliance Supplement, after considering any unique requirements that affect the Compliance Supplement's guidance, the auditor need consider only the requirements contained therein. For programs not included, the auditor should follow the guidance in Part 7 of the Compliance Supplement for identifying the applicable compliance requirements.)</i> (A-133 .500(d)(3); SOP 98-3 6.20-.21, 6.27-.30)				
12. Did the auditor perform reasonable procedures to ensure that the compliance requirements were current? (A-133 .500(d)(3); SOP 98-3 6.24)				
13. Do the working papers adequately document the work performed and the conclusions reached? (AU 339.05)				

## ATTACHMENT I

**Quality Control Review**

**Auditee:** \_\_\_\_\_

**Program:** \_\_\_\_\_

**CFDA #:** \_\_\_\_\_

Review Item	Yes	No	N/A	Ref.
14. Did the auditor report all findings and questioned costs identified in the audit working papers that met any of the following conditions: (A-133 .510(a)(2-7); SOP 98-3 10.63(b-g))				
<ul style="list-style-type: none"> <li>a. Material noncompliance with the provisions of laws, regulations, contracts, or grant agreements related to a major program? [<i>Note: The determination of material noncompliance is in relation to a type of compliance requirement for a major program or audit objective identified in the Compliance Supplement.</i>]</li> <li>b. Known questioned costs when the known or likely questioned costs exceed \$10,000 for a type of compliance requirement for a major program?</li> <li>c. Known fraud affecting a Federal award unless the fraud was already reported in accordance with GAS?</li> <li>d. Instances in which the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresents the status of any prior audit finding pertaining to this major program?</li> </ul>				
15. In the judgment of the reviewer, were the nature and extent of audit testing adequate to meet the audit objectives as identified in the Compliance Supplement for all material compliance requirements, and do the results support the auditor's compliance opinion on the major program? (A-133 .500(d)(4); SOP 98-3 6.36-.47)				
16. Did the auditor perform procedures to assess the reasonableness of the summary schedule of prior findings? (A-133 .500(e))				

# ATTACHMENT I

Quality Control Review  
Program: \_\_\_\_\_

Auditee: \_\_\_\_\_  
CFDA #: \_\_\_\_\_

Review Item	Yes	No	N/A	Ref.

Reference	Notes

**Unofficial Frequently Asked Questions and Answers**

This Practice Aid presents unofficial frequently asked questions and answers that were prepared to help CPAs implement Circular A-133. The questions and answers begin on the next page.

# OMB Circular A-133

## *Audits of States, Local Governments, and Non-Profit Organizations*

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### Unofficial Frequently Asked Questions and Answers

Last Update February 13, 2001

*This document was prepared to help CPAs implement OMB Circular A-133. It has not been reviewed or approved by any senior AICPA committee, and has not been cleared by the OMB or the Federal Audit Clearinghouse.*

#### **Available Information and Additional Help**

1. **Q: Where can I obtain a copy of Circular A-133, the Compliance Supplement, and the Data Collection Form?**  
**A:** *Circular A-133* - Published in the June 30, 1997, *Federal Register* (62 CFR 35278) and is available on the Internet at the OMB home page located at <http://www.whitehouse.gov/OMB/circulars/a133/a133.html>.  
*Compliance Supplement* - The Supplement is available from the OMB home page located at <http://www.whitehouse.gov/OMB/grants/index.html> or by calling the Government Printing Office at (202) 512-1800.  
*Data Collection Form* - Available from the Federal Audit Clearinghouse web site located at <http://harvester.census.gov/sac>; OMB home page located at <http://www.whitehouse.gov/OMB/grants/index.html>; or the Bureau of Census Federal Audit Clearinghouse by calling 1-888-222-9907. The form number is SF-SAC.
2. **Q: Who can I contact with questions on Circular A-133 relating to a specific federal program or about Circular A-133 reporting requirements?**  
**A:** For information about a specific federal program contact the federal awarding agency (subrecipients should first contact the pass-through entity.) For information about Circular A-133 reporting requirements contact the federal cognizant or oversight agency for audit. Federal agency contacts for Circular A-133 information are listed in Appendix III of the OMB Circular A-133 Compliance Supplement. Sections 400(a) and (b) of the Circular discuss the responsibilities of cognizant and oversight agencies for audits.
3. **Q: Are there electronic versions of the illustrative schedule of findings and questioned costs, schedule of expenditures of federal awards, or the auditor's reports?**  
**A:** Illustrative examples of both schedules and the auditor's reports are available on the AICPA home page at <http://www.aicpa.org/belt/a133main.htm>.
4. **Q: How can I get a copy of AICPA Statement of Position (SOP) on Circular A-133?**  
**A:** SOP 98-3, *Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards*, was originally issued in March 1998. It is updated on an annual basis for any needed conforming changes and is included as an appendix to both the AICPA Audit and Accounting Guides, *Not-For-Profit Organizations* and *Audits of State and Local Governmental Units*. It is also included in the AICPA publication titled, *Technical Practice Aids*. It is not available as a stand-alone document. To order the latest version of either of the guides or *Technical Practice Aids*, call the AICPA Order Department at 1-888-777-7077.

**4a. Q: Has the AICPA issued any other nonauthoritative Circular A-133 implementation guidance?**

**A:** Yes. The AICPA has a nonauthoritative Circular A-133 Practice Aid titled, *Auditing Recipients of Federal Awards: Practical Guidance for Applying OMB Circular A-133*. It is periodically updated for any needed conforming changes. It contains comprehensive analyses of, as well as the very latest guidance on applying Circular A-133, numerous audit checklists, and illustrative examples that will help auditors perform audits that comply with regulations. The guide contains an illustrative case study of the single audit process that includes selecting major programs, evaluating and testing internal control, testing of compliance and reporting. An illustrative engagement letter and representation letter are also included. To order the latest version of guide, contact the AICPA Order Department at the phone number in question 4.

**Schedule of Findings and Questioned Costs**

**5. Q: Does a schedule of findings and questioned costs need to be prepared if the independent auditor has no findings or questioned costs in the current year audit?**

**A:** Yes. If there are no findings or questioned costs, a schedule of findings and questioned costs must be prepared and submitted as part of the reporting package and must include a summary of the auditor's results as described in section 505(d)(1) of the Circular.

**6. Q: When a Type A program is considered low risk and is not audited as a major program, is further explanation of this required in the summary of the auditor's results section of the schedule of findings and questioned costs?**

**A:** No. The auditor, however, is required under section 520(g) to document in the audit working papers the risk analysis process in determining major programs.

**Cognizant Agency**

**7a. Q: Who is my cognizant agency for audit?**

**A:** Recipients expending more than \$25 million a year in federal awards shall have a cognizant agency for audit. The designated cognizant agency for audit is the federal agency that provided the predominant amount of **direct** funding. To provide for continuity of cognizance, the determination of the predominant amount of direct funding is based on direct federal awards expended in the recipient's fiscal years ending in 2000, 2005 and every fifth year thereafter. Section 400(a) of the Circular allows a federal awarding agency with cognizance for an auditee to reassign cognizance to another Federal awarding agency which provides substantial direct funding and agrees to be the cognizant agency for audit. See sections 105 and 400(a) of the Circular for additional details.

**7b. Q: What is an oversight agency for audit?**

**A:** The oversight agency for audit is the federal agency that provides the predominant amount of direct funding to a recipient **not assigned a cognizant agency for audit**. When there is no direct funding, the federal agency with the predominant indirect funding shall assume the oversight responsibilities. See sections 105 and 400(b) of the Circular for additional details.

**CFDA Numbers**

**8. Q: How do I find out which CFDA numbers apply?**

**A:** The Catalog of Federal Domestic Assistance (CFDA) titles and numbers should be included in the grant award documentation, as required by sections 400(c)(1) and 400(d)(1) of the Circular. If this information is not properly documented, then the funding agency (the Federal funding agency for recipients and the pass-through entity for subrecipients) should be contacted. The CFDA, which describes Federal programs, may assist in identifying the appropriate CFDA title and number. The CFDA is available by calling the U.S. General Services Administration (GSA) at 202-708-5126. A searchable copy of the CFDA is



available through the Internet on the GSA home page at <http://www.gsa.gov/fdac>.

### Audit Report Submission

9.

**Q: Who gets copies of the reporting package?**

**A:** As noted in section 320(d) and (e) of the Circular, all auditees must submit to the federal clearinghouse designated by the OMB the data collection form and one copy of the reporting package for (a) the federal clearinghouse to retain as an archival copy and (b) each federal awarding agency, when the schedule of findings and questioned costs disclosed audit findings relating to federal awards that the federal awarding agency provided directly or when the summary schedule of prior audit findings reported the status of any audit findings relating to federal awards that the federal awarding agency provided directly. In addition, auditees that are also subrecipients must submit to each pass-through entity one copy of the reporting package for each pass-through entity when the schedule of findings and questioned costs disclosed audit findings relating to federal awards that the pass-through entity provided or when the summary schedule of prior audit findings reported the status of any audit findings relating to federal awards that the pass-through entity provided. When a subrecipient is not required to submit a reporting package to a pass-through entity, the subrecipient must instead provide written notification to the pass-through entity (see section 320(e)(2) of the Circular for a summary of the required contents of this notification). A subrecipient may submit a copy of the reporting package to a pass-through entity to comply with this notification.

### Auditor Reports

10. **Q: When performing an audit under *Government Auditing Standards* but not in accordance with Circular A-133, can the auditor follow the example combined report on compliance and internal control over financial reporting based on an audit in accordance with *Government Auditing Standards* (Examples 2 and 2a of SOP 98-3)?**

**A:** Yes, with some modification. Although those reports illustrate examples to comply with Circular A-133, they also meet the requirements of *Government Auditing Standards* for reporting on compliance and internal control over financial reporting. Footnotes 19 and 29 of Example 2 and 2a, respectively, discuss the modifications that would be necessary to the example reports for an audit not subject to Circular A-133 requirements. See question 4 above for instructions on how to order the latest version of SOP 98-3.

### Risk Assessment

11. **Q: Is a risk assessment required for Type B programs when there are no Type A programs?**

**A:** No. The auditor need only ensure the percentage of coverage rule is met.

12. **Q: Is the auditor required to use the risk-based approach to determining major programs for the first audit under the revised Circular A-133?**

**A:** No. Section 520(i) of the Circular permits auditors to determine major programs as all Type A programs plus any Type B programs necessary to meet the percentage of coverage rule.

13. **Q. Can an auditee be a "low-risk" auditee if it received an opinion qualification resulting solely from Y2K disclosures, or the omission of such disclosures, required by Governmental Accounting Standards Board (GASB) Technical Bulletin (TB) 98-1, *Disclosures About Year 2000 Issues*?**

**A:** Yes. OMB issued a memorandum on August 30, 1999 that addresses this issue. It is titled, "Impact of Y2K on Audits of Federal Awards Under OMB Circular A-133," and is located on the OMB home page

(<http://www.whitehouse.gov/OMB/grants/index.html>).

14. **Q: Can a cluster of programs qualify as "low risk?"**  
**A:** Yes. A cluster of programs is considered as one program for determining major programs.
15. **Q: If an auditee has only one program and that program is a Type A program which is determined to be low risk, would it be appropriate for the auditor to exclude compliance testing and modify the reports accordingly?**  
**A:** No. The percentage of coverage rule in section 520(f) must be met. In this case, since there is only one program, the program must be audited as major to meet the percentage of coverage rule.

#### **Audit Costs**

16. **Q: Can non-federal entities expending less than \$300,000 in federal awards charge the cost of a GAAS audit or Yellow Book audit to federal awards if the audit is required by the State, pass-through entity, or governing board?**  
**A:** No. Only the cost of an agreed-upon procedures engagement as described in section 230(b)(2) of the Circular is allowable. Such audits must be arranged for and paid for by the pass-through entity.
17. **Q: Does the reference in section 230(b)(2) of the Circular to "arranged by a pass-through entity" allow a pass-through entity to require a subrecipient to contract for an agreed-upon procedure engagement?**  
**A:** No, the pass-through entity must contract for the engagement. Also, it is critical that pass-through entities realize that all subrecipients may not need an agreed-upon procedure engagement. A cyclical approach or other monitoring techniques might be the most cost beneficial.

#### **Pass-Through Entities**

18. **Q: Can pass-through entities provide waivers to certain provisions of the Circular such as section 530 criteria for a low-risk auditee, which permits a cognizant or oversight agency for audit to determine that an opinion qualification may not affect the management of a federal award and provide a waiver permitting the entity to otherwise qualify as a low-risk auditee?**  
**A:** No. This a federal agency determination.

#### **Biennial Periods**

19. **Q: When is a Circular A-133 audit required for a biennial period?**  
**A:** When an entity qualifies for and elects a biennial audit under section 220 of the Circular and the entity expends \$300,000 or more in one of the two years of the biennial period, the audit threshold is met and a Circular A-133 audit is required.
20. **Q: What is the basis for determining federal awards expended and Type A and Type B programs in a biennial audit?**  
**A:** For biennial audits permitted under section 220 of the Circular, federal awards expended and Type A and Type B programs are determined based on the federal awards expended during the two year period. Refer to section 520(b)(4) of the Circular.

#### **Component Units**

21. **Q: If component units have separate single audits, does the oversight unit single audit have to reflect the awards and results of the component unit single audit(s)?**  
**A:** The oversight unit does not have to include awards expended by component units in the oversight unit's schedule of federal expenditures except to show any pass-through awards from the oversight entity to the component unit. Audit results of the component units would need to be considered by the oversight entity's auditor to the extent that any findings or questioned costs have a material effect on the financial statements of the oversight entity.

#### **Federal Expenditure Determination**

22. **Q: Can interim amounts be used to estimate the federal award expenditures so**

**that interim work can begin early?**

**A:** Yes. The auditor may consider program or award budgeted expenditures in deciding whether a program will likely be Type A. However, auditors should be cautioned that the final major program determination must be made based on actual federal award expenditures.

**Audit Follow-Up**

**23. Q: Under Circular A-133, does the auditor have any responsibility for following up on prior year Circular A-133 findings if in the current year the auditee expends less than 300,000 in federal awards and is not subject to a Circular A-133 audit?**

**A:** No. Since the entity would not be subject to a Circular A-133 audit in the current year, the auditor would not have to perform the audit follow-up required by section 500(e) of the Circular. However, it should be noted that if the current year audit is being performed under *Government Auditing Standards*, the auditor would still be required to perform follow-up as required by paragraph 4.7-4.11 of *Government Auditing Standards*.

**Data Collection Form (Form SF-SAC)**

**24. Q: Should the Data Collection Form be included in the reporting package?**

**A:** No. The Data Collection Form is not part of the reporting package. However, the form is to be submitted to the Federal Audit Clearinghouse along with the reporting package.

**25.**

**Q: Can the data collection form be submitted electronically?**

**A:** Yes. The Federal Audit Clearinghouse (FAC) is able to accept the Data Collection Form via an online Internet submission. One benefit of the online Internet submission is that an edit function built directly into the FAC's system identifies certain errors that may have been made in completing the form. This allows both auditors and auditees to correct these errors prior to submitting the form. However, a hard copy of the form (which must be a print out of the electronic submission) must still be signed by both the auditor and auditee and sent to the FAC along with the appropriate number of reporting packages. The FAC Web site at <http://harvester.census.gov/sac> includes instructions on how to complete the online Internet submission.

**26. Q: Who should receive a copy of the Data Collection Form?**

**A:** The auditee should submit a single Data Collection Form and the appropriate number of copies of the reporting package (see question number 9) to the Federal Audit Clearinghouse, Bureau of the Census, 1201 East Tenth Street, Jeffersonville, IN 47132.

**27. Q: Can I fax my completed Data Collection Form or a corrected copy to the Federal Audit Clearinghouse?**

**A:** No. Faxes are not permitted. Also, when mailing a corrected form, it should be noted either on the face of the form or in a separate note that it is a "corrected copy."

**28. Q: What year does the Data Collection Form apply to?**

**A:** The Data Collection Form should be completed for all audit periods covered under the revised Circular A-133.

**29. Q: When is the Data Collection Form due?**

**A:** If the entity expends less than \$300,000 in federal awards, there is no requirement to return the form. Otherwise the form should be completed and returned with the reporting package to the Federal Audit Clearinghouse in accordance with section 320 of the Circular.

**30. Q: Is it acceptable to include a photocopy of the Schedule of Expenditures of Federal Awards in lieu of completing Part III, Item 10, of the Data Collection Form?**

**A:** No. This part of the form must actually be completed. However, if auditees are using the online submission option (see question 25 above ) auditees may file this page via an electronic spreadsheet. Instructions for this option are included in the online filing instructions on the FAC website (<http://harvester.census.gov/sac>).

**31. Q: How do I answer Part III, Item 3, of the Data Collection Form (what is the threshold based on)?**

**A:** Refer to section 520(b) of the Circular. The dollar threshold must be 300,000 or higher.

#### **Program-Specific Audits**

**32. Q: If a program-specific audit guide is outdated, what should the auditor do?**

**A:** Follow the guidance in Part 7 of the Compliance Supplement and the reporting requirements of section 235 of the Circular.

#### **Indirect Cost Proposals**

**33. Q: Under section 305(b) of Circular A-133 governing restrictions on the auditor preparing indirect cost proposals, is the individual auditor or the firm prohibited from performing the audit and preparing the indirect cost rate proposal/cost allocation plan?**

**A:** The firm.

#### **Internal Control**

**34. Q: What factors should the auditor consider when "planning the audit to support a low assessed level of control risk for major programs?"**

**A:** The auditor should refer to SAS No. 55, as amended by SAS No. 78, and *Government Auditing Standards* for guidance on assessing control risk below maximum.

#### **Corrective Action Plan**

**35. Q: Must the corrective action plan prepared by the auditee address findings required to be reported by *Government Auditing Standards*?**

**A:** No. Section 315(c) of the Circular states that the corrective action plan must address each audit finding included in the current year auditor's report. The Circular defines audit findings as deficiencies that the auditor is required by section 510(a) to report in the schedule of findings and questioned costs. Findings required to be reported by *Government Auditing Standards* are not included in section 510(a) and, therefore, are not required to be included in the corrective action plan. However, there is nothing in the Circular that would preclude an auditee from addressing such findings in the corrective action plan.



## Questions and Answers on OMB Circular A-133 as It Relates to U. S. Department of Education Programs

*The following guidance was issued by the U.S. Department of Education, Office of Inspector General (ED/OIG) to clarify OMB Circular A-133 audit requirements at they relate to Education programs. The opinions expressed in this document are solely that of ED/OIG and are not intended to reflect that of OMB or other Federal agencies. This document is available at the ED/OIG/nonfed web site on the Internet.*

There are several issues regarding U. S. Department of Education programs under OMB Circular A-133. This document clarifies some of those issues. As other issues are clarified they will be appended to this document. Readers are advised to note the date of this document and periodically check the date of this document. The title of this document will not change; however, the date on the title of this document will change as additional clarifying guidance concerning ED programs are added. Two issues not addressed by this document but are expected to be clarified in the near future are: (1) close out audits, and (2) reporting language when an institution uses a servicer. Clarifying guidance on other issues follows.

1. Institutional eligibility is not included in the A-133 Compliance Supplement. The Code of Federal Regulations, 34 Part 600.7(g) states that the certified public accountant who audits the financial statements must also perform an attestation engagement to substantiate the required calculations in paragraph (a)(1) of this part. Does A-133 compliance supplement supercede the attestation engagement audit requirement?

Yes. The A-133 compliance supplement supercedes the attestation engagement audit requirement in 600.7(g). The attestation engagement audit report is not required if an A-133 audit is performed. Under the current A-133 Compliance Supplement, institutional eligibility is not required to be tested.

2. *Schedule of Expenditures of Federal Awards.* What amounts are reported for the Federal Family Education Loan (FFELP), the William D. Ford Direct Loan Program and the Federal Perkins Loan Programs?

Circular A-133 and the AICPA Statement of Position 98-3, paragraph 5.13 state that loans may be reported in the Schedule of Expenditures of Federal Awards or in the notes to the Schedule, although the Schedule is preferable. The amounts reported for FFELP and the William D. Ford Direct Loan Programs are the gross amount of the loans approved **by the institution** during the audit period. Circular A-133, \_\_205(b) is quite

clear regarding the amount shown for the Federal Perkins Loan program. The value shown is the value of new loans made during the fiscal year, plus the balance of loans from previous years, plus the administrative cost allowance received.

3. Are the SF-SAC, Reporting on Audits of States, Local Governments and Non-Profit Organizations, instructions (Part iii - Federal Programs, Item 6 - Federal Awards Expended, Column (c)) correct in asking for the outstanding balances for the loan programs?

Yes. For the Federal Family Education Loan Program and the William D. Ford Federal Direct Loan program only the gross amount of the loans administered by the institution during the audit period are entered. For the Federal Perkins Loan program, the total of the administrative cost allowance plus the value of the loan portfolio is entered.

4. If an institution wants to cease participation in the Federal Perkins Loan Program, where can information be obtained on how to do this?

*Procedures for an Institution To Liquidate Its Federal Perkins Loan Program* was published in April 1995. It is available on the Internet at: <http://home.gvi.net/~edoig> Go the section SFA Audits, School/School Servicer Audits. NOTE: This publication has been superceded by Campus Based Letter CB-98-11 (LD) dated July 1998. That letter is not available on the previously listed Internet website because there are instructions in that letter regarding a close out audit that conflict with the Single Audit Act and OMB Circular A-133. When that conflict is resolved, the guidance will be posted on the previously listed Internet website.

5. The *Student Financial Aid Encyclopedia* is a vital source of information on program requirements. Is this publication available to anyone other than financial aid administrators?

Yes. The Student Financial Aid Encyclopedia is published by the National Association of Student Financial Aid Administrators (NASFAA). The publication is available to members and non-members alike in either paper or CD-ROM. Contact NASFAA at:

National Association of Student Financial Aid Administrators  
1920 L Street, NW Suite 200  
Washington, DC 20036

Telephone: (202) 785-0453, extension 118 or 127  
Internet address: [www.nasfaa.org](http://www.nasfaa.org)  
look under members or prospective members for information on publications.

6. The standard of proof regarding eligibility of graduate students is unclear. Does an institution have to have proof of a student having an undergraduate degree before awarding aid to a student at the graduate level?

The institution has to have proof that the student met the admission requirements for the graduate level program. Whatever documents are required by the institution for admission to the graduate program must be in the student's file. To award Title IV student financial assistance, a Free Application for Student Financial Assistance must be submitted to the central processor. The institution must consider the resultant expected family contribution on the output document when awarding Title IV student financial assistance.

7. What is the Catalog of Federal Domestic Assistance number for the School-To-Work program?

For grants funded by the U. S. Department of Education, 84.278; for grants funded by the U. S. Department of Labor use Education's CFDA number, 84.278 (per May 1998 OMB Compliance Supplement).

8. Section .400(c)(5) of OMB Circular A-133 requires a federal agency to resolve audit findings within six months after receipt of the audit report. Circular A-50 requires program specific audit report findings to be resolved within six months after receipt of the audit report. From what date is the six months measured?

For A-133 audit reports, the six months starts when ED receives a copy of the A-133 audit report from the Single Audit Clearinghouse. The cognizant Federal audit agency may send an assurance letter to the other Federal Agency Single Audit Contacts advising them the audit meets applicable single audit requirements; however, the date of that letter does not start the six month period for audit resolution.

Likewise, for program specific audit reports, the six months starts the date that ED accepts the program specific audit report as meeting reporting requirements. Institutions submitting program specific audits are sent an acceptance letter.

9. Does an A-133 audit report satisfy the requirement for submission of financial statements for financial responsibility?

Yes, once the required number of copies have been submitted to the Single Audit Clearinghouse.

10. In determining the dollar threshold Type A programs, what amount is used for the Federal Perkins Loan Program?



The administrative cost allowance and the value of the Federal Perkins Loan portfolio are added to all the other Student Financial Aid program expenditures to determine the total expenditures for the student financial aid cluster. However, the auditor must use professional judgment in determining whether the Federal Perkins Loan program *significantly affects* the number or size of Type A Programs. The auditor should review the guidance in paragraph 7.7 of the AICPA's Statement of Position 98-3, Audits of States, Local Governments, and Not-for-Profit Organizations Receiving Federal Awards and • \_\_.520(b)(3) of OMB Circular A-133.

11. Did the Higher Education Act (HEA) Amendments of 1998 change the athletic audit requirement set forth in Section 668.14 (d) of Title 34 Code of Federal Regulations?

Yes. Effective October 1, 1998, the HEA Amendments of 1998 repealed the athletic audit requirement set forth in 34 CFR Section 668.14 (d)(1), but did not repeal the requirement that the intercollegiate athletic revenues and expenses be compiled annually.

The regulations, which were effective July 1, 1994, required an annual compilation of revenues and expenses from men's and women's intercollegiate athletic activities, and at a minimum, that every third year's intercollegiate athletic revenues and expenses be audited. The audit report previously required was to be issued to the institution and made available for inspection by the U.S. Secretary of Education and where allowable by State law, the public.

The HEA repealed the audit requirement, and moved the annual compilation requirement, slightly modified, from section 487 (Program Participation Agreements) to section 485(g) (Equity in Athletics Disclosure Act). Now, on an annual basis, each coeducational institution of higher education that participates in any title IV, HEA program, and has an intercollegiate athletic program, must prepare a report of the information described in section 485(g)(1), and upon request, make the report available to students, potential students, and the public (and must inform students of their right to request the information).

Also, an institution must provide to the Secretary the information contained in the report within 15 days of the date the institution makes the report available for viewing upon request. The Secretary will prepare and submit a report to Congress by April 1, 2000, based on the information received.

**References for Materials in This Practice Guide**

(1) *Catalog of Federal Domestic Assistance* (CFDA) is compiled and published annually by the General Services Administration. You can find a copy of the CFDA on the Internet on the General Services Administration (GSA) site (<http://www.cfda.gov>). The catalog is available in hard copy from the Government Printing Office (GPO), and on diskettes and CD-ROM from the GSA.

- (a) Government Printing Office  
Superintendent of Documents  
P.O. Box 371954  
Pittsburgh, PA 15250-7954  
Telephone: (202) 512-1800  
GPO Web site: <http://www.gpo.gov>; the online GPO bookstore is at <http://www.bookstore.gpo.gov>.

- \* *LSA: List of CFR Sections Affected* is available by subscription in hard copy from the Government Printing Office (stock number 769-001-00000-0).

- (b) General Services Administration  
Federal Domestic Assistance Catalog Staff (MVS)  
Reporters Building, Room 101  
300 7th Street, S.W., Washington, DC 20407  
Telephone: (202) 708-5126  
GSA Web site: <http://www.gsa.gov>

(2) *Government Auditing Standards* is available on the Internet at the General Accounting Office (GAO) Web site, <http://www.gao.gov/govaud/ybk01.htm> or at the Inspectors General (IG) site, <http://www.ignet.gov>.

(3) The Office of the Federal Register of the National Archives and Records Administration at <http://www.gpo.gov/nara/index.html> has various databases of federal documents—including all public laws from 1994 forward (including the Single Audit Act Amendments of 1996, P.L. No. 104-156), congressional reports from 1994 forward (including House of Representatives Report 104-607, which accompanied House Bill 3184 containing the 1996 Amendments, and Senate Report 104-266, which accompanied the companion Senate Bill 1579), the U.S. Code, the Code of Federal Regulations (CFR), and the Federal Register. The Inspectors General site (listed above) also includes links to various sources of federal laws and regulations and to the Internet sites of various federal departments.

(4) OMB publications, such as A-133, the *Compliance Supplement*, and the cost principles circulars, are available on the Internet at the OMB site at <http://www.whitehouse.gov/obm/grants>. You can obtain publications of fewer than 50 pages through the OMB Facsimile information line at (202) 395-9068. You can order hardcopies of OMB publications:

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Office of Administration  
Publications Office, Room 2200  
New Executive Office Building  
Washington, DC 20503  
Telephone: (202) 395-7332

(5) An electronic template of the data collection form is available from the Bureau of the Census, Federal Audit Clearinghouse (FAC) at <http://harvester.census.gov/sac>. Hardcopies also are available from:

Federal Audit Clearinghouse  
Bureau of the Census  
1201 East 10th Street  
Jeffersonville, IN 47132  
Telephone: (888) 222-9907

(6) AICPA publications are available on the Internet at <http://www.aicpa.org> or by calling the AICPA Order Department at (800) TO-AICPA.

(7) The homes pages for the FASB and the GASB are at <http://www.fasb.org> and <http://www.gasb.org>, respectively. You can also order FASB and GASB publications from the FASB/GASB Order Department at (800) 748-0959.

(8) The home page for the GFOA is at <http://www.gfoa.org>. You can also order GFOA publications by phone at (312) 977-9700.

(9) The President's Council on Integrity and Efficiency (PCIE) is on the Internet at [www.ignet.gov/pande/audit/psingle/](http://www.ignet.gov/pande/audit/psingle/). The audit review guides, *Uniform Guide for Initial Review of A-133 Audit Reports*, and *Uniform Quality Control Review Guide for A-133 Audits*, are available at that web site (see also Practice Aids 29 and 30).

(10) The Western Intergovernmental Audit Forum's Report, *Guidelines for Preparation of Requests for Proposal*, is available in hardcopy from the National Intergovernmental Audit Forum, at 314-516-8359.

(11) The PCIE *Revised Program Audit Guide Listing* is available from the Government Printing Office or by contacting the appropriate Regional OIG. It is also available on the Internet (<http://www.ed.gov/offices/OIG/nonfed>).at the ED/OIG Non-Federal Audit Team web site. [NOTE: The listing was last updated in 1993 and the auditor may wish to contact the appropriate Regional OIG to determine the availability of a program audit guide.]

(12) The Mid-American Governmental Audit Forum issued a publication in March 2000, *Choosing an External Auditor – Guide for Making a Sound Decision*. The publication is available on the Internet at the ED/OIG Non-Federal Audit Team Web site (at [www.ed.gov/offices.OIG/nonfed/govern.html](http://www.ed.gov/offices.OIG/nonfed/govern.html)).

