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OFFICE OF MANAGEMENT AND BUDGET
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THE DIRECTOR

OMB BULLETIN 14-02

TO THE HEADS, INSPECTORS GENERAL, AND CHIEF FINANCIAL OFFICERS OF
EXECUTIVE DEPARTMENTS AND ESTABLISHMENTS

SUBJECT: OMB Bulletin 14-02, Audit Requirements for Federal Financial Statements

1. Purpose. This Bulletin, which includes an attachment and Appendices A-H, establishes minimum requirements for audits of Federal financial statements. The Bulletin is issued under the authority of the Budget and Accounting Act of 1921 (42 Stat. 20), as amended, and the Budget and Accounting Procedures Act of 1950 (64 Stat. 832), as amended. It implements the audit provisions of the Chief Financial Officers (CFO) Act of 1990 (Pub. L. No. 101-576), as amended, the Government Management Reform Act (GMRA) of 1994 (Pub. L. No. 103-356), and the Federal Financial Management Improvement Act of 1996 (Pub. L. No. 104-208, title VIII). The requirements of this Bulletin are set forth in the attachment.

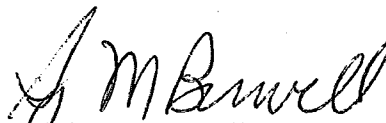
2. Applicability. The provisions of this Bulletin apply to audits of financial statements of executive departments, agencies, and Government corporations (Appendices A, C, and D) and certain components of these agencies (Appendix B). Effective for fiscal year 2013, updates throughout this Bulletin reflect recent changes in *U.S. Auditing Standards – AICPA (Clarified)*, identified as AU-C and the changes from the 2011 revision of *Government Audit Standards*, which are applicable to the 2013 Federal financial statement audits.

3. Rescissions. The provisions of this Bulletin supersede the provisions in OMB Bulletin 07-04, *Audit Requirements for Federal Financial Statements*, and OMB Technical Bulletin 08-24, *Technical Amendments to OMB Bulletin 07-04, Audit Requirements for Federal Financial Statements*.

4. Effective Date. The provisions of this Bulletin are effective immediately for audits of financial statements, unless stipulated otherwise. Audit reports shall be submitted to the agency head in sufficient time to enable the agency head to meet the deadline for submitting the audited financial statements.

5. Inquiries. Further information concerning this Bulletin may be obtained from the Office of Management and Budget, Office of Federal Financial Management at 202-395-3993.

6. Copies. Individual copies of this bulletin may be obtained from the OMB website at <http://www.whitehouse.gov/omb/financial/index.html>.


Sylvia M. Burwell
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SUMMARY OF SIGNIFICANT CHANGES

SECTION TITLE	PARAGRAPH NUMBER(S)	CHANGES
Definitions	2.2-2.4, 2.6, & 2.9	<ul style="list-style-type: none"> • Codification of Statements of Auditing Standards - updated to account for the clarified standards. • The Federal Financial Management Improvement Act of 1996 (FFMIA) (Pub. L. 104-208) – clarified the reporting responsibilities of government corporations and their auditors. • The Federal Information Security Management Act (FISMA) (Pub. L. No. 107-296, as amended by Pub. L. No. 108-177) FISMA – clarified requirement for <u>management</u> to report a material weakness under FMFIA when a significant deficiency is identified under FISMA. • Generally Accepted Accounting Principles (GAAP) – updated to include the Statement of Federal Financial Accounting Standards (SFFAS) 34. • Group Financial Statements – updated to reflect changes from AU-C 600.
Communication	5.1-5.3	<ul style="list-style-type: none"> • Updated to align with changes to U.S. Generally Accepted Government Auditing Standards (GAGAS) and AU-C 265. • Included a discussion for developing recommendations that address the root cause. • Eliminated portions of the discussion regarding misstatements, and updated section to align with AU-C 708.

SECTION TITLE	PARAGRAPH NUMBER(S)	CHANGES
Scope of the Audit	6.3, 6.8, 6.12, & 6.14-6.22	<ul style="list-style-type: none"> • Clarified differences between supplementary information (AU-C 725), required supplementary information (AU-C 730), and other information (AU-C 720). • Clarified the auditor's responsibility regarding internal control. • Clarified the FFMIA reporting responsibilities of government corporations and their auditors. • Included a discussion of group financial statements to reflect changes from AU-C 600. • Updated discussion of service organizations to align with AU-C 402 and AT 801.
Reporting	7.3-7.8, 7.11-7.14, & 7.15- 7.20	<ul style="list-style-type: none"> • Updated discussion of auditor's report to align with AU-C 700, AU-C 705, and the 2011 revision of <i>Government Auditing Standards</i>. • Updated to discuss supplementary information, required supplementary information, other information and highlights to align with AU-C 725, AU-C 730, AU-C 720, and AU-C 810. • Updated internal control report requirements to align with the 2011 revision of <i>Government Auditing Standards</i>, AU-C 265 and AU-C 315.
Written Representations from Management	8.1- 8.8	<ul style="list-style-type: none"> • Updated to align with AU-C 580, AU-C 725 and AU-C 730. • Added a discussion of the representation update for purposes of the audit report on the FR.
Legal Representation Letters and Management Schedule	9.1 & 9.4	<ul style="list-style-type: none"> • Updated to align with AU-C 501 and highlight requirement for the auditor to seek direct communication with legal counsel.
Communicating Other Deficiencies	10.1	<ul style="list-style-type: none"> • Updated to align with AU-C 265.

SECTION TITLE	PARAGRAPH NUMBER(S)	CHANGES
Audit of the Closing Package Financial Statements	13.15 & 13.34	<ul style="list-style-type: none"> • Changed the name from “special-purpose” to “closing package” financial statements to align with AU-C 805 reporting. • Discussed required elements of AU-C 805 reporting. • Included discussion of the IGT agreed upon procedures.
Table of Appendices	F – J	<ul style="list-style-type: none"> • Update management representations. • Add required TFM Note. • Delete “material amounts” appendices.

AUDIT REQUIREMENTS FOR FEDERAL FINANCIAL STATEMENTS

SECTION 1: BACKGROUND

1.1 The Government Management Reform Act (GMRA) of 1994 (Pub. L. No. 103-356) expanded the Chief Financial Officers (CFO) Act of 1990 (Pub. L. No. 101-576), by requiring, among other things, the annual preparation and audit of organization-wide financial statements of the CFO Act executive departments and agencies (Appendix A). The GMRA also requires audited financial statements of components of executive departments and agencies designated by the Director of the Office of Management and Budget (OMB) (Appendix B).

1.2 The Accountability of Tax Dollars Act (ATDA) of 2002 (Pub. L. No. 107-289) expanded the CFO Act further and extends the requirements of the annual preparation and audit of organization-wide financial statements to the remainder of the executive agencies not already required to do so through another provision of Federal law (Appendix C).

1.3 The Government Corporation Control Act (59 Stat. 597, codified at 31 U.S.C. § 841-869) requires, among other things, the annual preparation and audit of organization-wide financial statements of “mixed-ownership” and “wholly owned” Government corporations (Appendix D).

SECTION 2: DEFINITIONS

For the purposes of this Bulletin, the following definitions apply:

2.1 **Annual Financial Statements** mean the financial statements of a reporting entity as described in Section 3515 of Title 31 of the United States Code and OMB Circular No. A-136, *Financial Reporting Requirements*, as revised (A-136). The “Annual Financial Statements” will consist of:

- Management’s Discussion and Analysis (part of Required Supplementary Information)

- Basic Statements. The basic statements¹ will include:

- Balance Sheet

- Statement of Net Cost

- Statement of Changes in Net Position

- Statement of Budgetary Resources

- Statement of Custodial Activity, if applicable

- Statement of Social Insurance, if applicable

- Statement of Changes in Social Insurance Amounts, if applicable

- Related Note Disclosures

- Required Supplementary Stewardship Information (RSSI), if applicable

- Required Supplementary Information (RSI), if applicable

- Other Information, if applicable

¹ This list is included in the OMB Circular A-136, which prescribes the Basic Financial Statements that will be prepared.

2.2 **Codification of Statements on Auditing Standards** is a codification of Statements on Auditing Standards (SASs) issued by the American Institute of Certified Public Accountants (AICPA). In an effort to make U.S. Generally Accepted Auditing Standards (GAAS) easier to read, understand, apply, and converge with International Standards on Auditing (ISA), the Auditing Standards Board (ASB) has made a significant effort to clarify the SASs. SAS No. 122, *Clarification and Recodification*, supersedes nearly all outstanding SASs through SAS 121 and recodifies the AU section numbers as designated by SAS Nos. 1-121. As a result, *U.S. Auditing Standards – AICPA (Clarified)* incorporates SASs issued beginning with SAS No. 122 and contains AU-C section numbers instead of AU section numbers. AU-C is a temporary identifier to avoid confusion with references to existing AU sections. The AU-C identifier will revert to AU in 2014, by which time SAS No. 122 becomes fully effective for all engagements. The clarified SASs are effective for audits of financial statements for periods ending on or after December 15, 2012.

The 2011 revision of Government Auditing Standards incorporates by reference SASs issued by the AICPA. As a result, auditors performing audits of financial statements in accordance with U.S. Generally Accepted Government Auditing Standards (GAGAS) should comply with the incorporated SASs and the additional requirements of the 2011 revision of *Government Auditing Standards*. The 2011 revision of *Government Auditing Standards* is effective for audits of financial statements for periods ending on or after December 15, 2012.

2.3 **Deficiency in Internal Control** exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis.

2.4 **Federal Financial Management Improvement Act of 1996 (FFMIA) (Pub. L. No. 104-208, Title VIII) Section 803(a) requires CFO Act agencies to establish and maintain financial management systems that substantially comply with three elements:** Federal financial management systems requirements, applicable Federal accounting standards, and the United States Standard General Ledger at the transaction level. Agencies subject to the ATDA and Government Corporation Control Act are not subject to the requirements of FFMIA, with the exception of a government corporation that is also a component of a CFO Act agency. Those Government corporations are subject to FFMIA similar to all other components of the CFO Act agencies. The components, including the government corporations, of the entities listed in Appendix A are not required to report separately on compliance with FFMIA, and auditors of such separately issued component reports are not required to separately report on such component's compliance with FFMIA, Section 803(a) requirements.

2.5 **Federal Information Security Management Act (FISMA) (Pub. L. No. 107-296, as amended by Pub. L. No. 108-177)** requires agencies to provide information security controls commensurate with the risk and potential harm of not having those controls in place. The heads of agencies and Offices of Inspectors General are required to annually report on the effectiveness of the agencies' security programs. "Significant deficiencies" identified under FISMA must also be reported by management as material weaknesses under Federal Managers' Financial Integrity Act (FMFIA) (Pub. L. No. 97-255), and as a lack of substantial compliance under FFMIA if related to financial management systems.

2.6 **Federal Managers' Financial Integrity Act (FMFIA) (Pub. L. No. 97-255, codified at 31 U.S.C. § 3512(c), (d))** requires Executive Branch agencies to establish and maintain effective internal control. The heads of agencies must annually evaluate and report on the effectiveness of the internal control (Section 2) and financial management systems (Section 4) that protect the integrity of Federal programs.

2.7 **Generally Accepted Accounting Principles (GAAP)** for Federal Government entities are identified in Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. The GAAP hierarchy consists of the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of Federal reporting entities that are presented in accordance with U.S. GAAP and the framework for selecting those principles. Federal financial statements should follow the form and content presentation guidance outlined in Circular A-136.

2.8 **Government Accountability Office/President's Council on Integrity and Efficiency² Financial Audit Manual (GAO/PCIE FAM)** provides methodology and guidance for performing audits of federal Federal financial statements in compliance with relevant auditing and attestation standards and OMB guidance. References to the FAM do not establish requirements for auditors.

2.9 **Government Auditing Standards (also referred to as U.S. Generally Accepted Government Auditing Standards or GAGAS)** are those auditing standards issued by the Comptroller General of the United States.

2.10 **Group Financial Statements** include financial information of more than one component, or combined financial statements aggregating the financial information prepared by components that are under common control. Auditors should refer to AU-C 600, *Audits of Group Financial Statements (Including the Work of Component Auditors)*, for additional guidance/requirements when performing an audit of group financial statements.

2.11 **Independent Auditor** means an audit organization or individual auditor who meets the independence requirements under GAGAS. An independent auditor may include an agency's Office of Inspector General (OIG) and/or an independent public accountant (IPA).

2.12 **Internal Control** is a process effected by those charged with governance, management, and other personnel that is designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include controls relating to

² The Council of the Inspectors General on Integrity and Efficiency (CIGIE) was statutorily established as an independent entity within the executive branch by the Inspector General Act of 1978, as amended by the IG Reform Act of 2008, to: address integrity, economy, and effectiveness issues that transcend individual Government agencies; and increase the professionalism and effectiveness of personnel by developing policies, standards, and approaches to aid in the establishment of a well-trained and highly skilled workforce in the Offices of the Inspectors General. Prior to the establishment of the CIGIE, the Federal Inspectors General operated under the auspices of two councils, The President's Council on Integrity and Efficiency (PCIE) and the Executive Council on Integrity and Efficiency (ECIE).

financial reporting and operations objectives. Although most controls relevant to the audit are likely to relate to financial reporting, not all controls that relate to financial reporting are relevant to the audit. Consistent with the guidance set forth in OMB Circular No. A-123, *Management's Responsibility for Internal Control*, and Circular A-136, internal control over financial reporting is more narrowly defined and includes:

Reliability of financial reporting - transactions are properly recorded, processed, and summarized to permit the preparation of the Basic Financial Statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

Compliance with applicable laws and regulations - transactions are executed in accordance with laws and regulations, including laws governing the use of budget authority, laws, regulations, and Government-wide policies identified by OMB in Appendix E of this Bulletin, and other laws and regulations that could have a *direct and material effect on the Basic Financial Statements*.

2.13 **Management Letter** means a letter prepared by the auditor that discusses findings and recommendations for improvements in internal control, which were identified during the audit, but were not required to be included in the auditor's report on internal control over financial reporting or report on compliance and other matters.

2.14 **Management's Discussion and Analysis (MD&A)** is a clear and concise description of the reporting entity's performance measures, financial statements, information systems and controls, compliance with laws and regulations, and actions taken or planned to address problems.³ The MD&A is included in each annual financial statement as required supplementary information. A-136 provides additional guidance on the composition of the MD&A.

2.15 **Material Weakness** is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility⁴ that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. This material weakness definition aligns with the material weakness definition used by management to prepare an agency's FMFIA assurance statement on the effectiveness of internal control over financial reporting.

2.16 **Reporting Entity** means one of the executive departments, agencies, Government corporations and components of such departments and agencies listed in Appendices A–D, or an agency, bureau, or other organization that represents a meaningful unit for program management, for which a financial statement is prepared, and for which management chose to have an audit performed in accordance with this Bulletin.

³ Statement of Federal Financial Accounting Standards (SFFAS) No. 15, *Management's Discussion and Analysis*.

⁴ In this definition, a reasonable possibility exists when the likelihood of the event is reasonably possible or probable as those terms are used in AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*.

2.17 **Significant Deficiency** is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.⁵

2.18 **U.S. Standard General Ledger (USSGL)** means the uniform chart of accounts prescribed by the Department of the Treasury in its Treasury Financial Manual (TFM) (<http://www.fms.treas.gov/ussgl/>).

SECTION 3: FREQUENCY OF AUDIT

3.1 Audits will be performed annually.

SECTION 4: RESPONSIBILITY FOR AUDIT

For purposes of this Bulletin, the following responsibilities apply:

4.1 For the CFO Act executive departments and agencies and selected components of such departments and agencies listed in Appendices A and B, the audits of financial statements will be performed by the OIG of the executive department or agency or by an IPA as determined by the OIG.

4.2 For the executive branch entities subject to the ATDA and Government Corporation Control Act, the audits of financial statements will also be performed by the OIG of the executive entity or by an IPA as determined by the OIG. If the entity does not have an OIG, the financial statement audit will be performed by an IPA as determined by management.

4.3 The CFO Act of 1990, as amended, provides that, in lieu of an audit otherwise required, the Comptroller General of the United States may, at his or her discretion and following consultation with the OIG, perform the audit of the CFO Act executive departments and agencies and Government Corporation Control Act and ATDA entities.

SECTION 5: COMMUNICATION

5.1 The auditor should agree upon the terms of the audit engagement with management or those charged with governance, as appropriate. The agreed-upon terms of the audit engagement should be documented in an audit engagement letter or other suitable form of written agreement. The audit engagement letter may request for management to acknowledge receipt of the audit engagement letter and agree to the terms of the engagement as evidenced by their signature on the engagement letter.

⁵ Consistent with AU-C 260, *The Auditor's Communication With Those Charged With Governance*, the 2011 revision of *Government Auditing Standards* defines those charged with governance as the person(s) or organization(s) with responsibility for overseeing the strategic direction of the entity and the obligations related to the accountability of the entity. This includes overseeing the financial reporting process, subject matter, or program under audit including related internal controls.

5.2 Communications with the audited entity, those charged with governance, and, if applicable, the individuals contracting for or requesting the audit are expected to be honest, candid, and constructive.⁶ Auditors should refer to AU-C 260, *The Auditor's Communication With Those Charged With Governance*. Auditors should also refer to GAGAS 4.03 for additional requirements pertaining to auditor communication. Matters that may be communicated include, but are not limited to, the following:

- The financial statements preparation and audit timetable and changes thereto;
- Significant issues regarding the preparation and audit of the financial statements; and
- Potential audit findings as they are developed, including indications of material misstatements or unsupported amounts in the financial statements, significant deficiencies and material weaknesses in internal control, and non-compliance with laws, regulations, contracts, and grant agreements. For some matters, early communication to those charged with governance or management may be important because of the relative significance and the urgency for corrective follow-up action.⁷

5.3 Auditors should bring misstatements to management's attention for analysis and possible adjustment. Written representations from management should address uncorrected misstatements. (See Paragraph 8.1 for a discussion of a summary of uncorrected misstatements to be attached to management's written representations and see Paragraph 8.4 for management's materiality threshold used for reporting items in written representations from management). Auditors should refer to AU-C 450, *Evaluations of Misstatements Identified During the Audit*, and are encouraged to use the guidance in GAO/PCIE FAM Section 540, *Evaluate Misstatements*, and subsequent revisions, for reviewing misstatements with management.

5.4 Auditors should recommend actions to correct deficiencies identified during the audit and to improve controls over financial reporting. Such recommendations should be included in the auditor's report on internal control over financial reporting; in a separate report, memo, management letter, or other written communication; or communicated orally.⁸ Recommendations should be directed at resolving the root cause of identified deficiencies and findings, and clearly state the actions recommended. Recommendations should also be directed to the extent possible to addressing the particular deficiency on an agency-wide basis, rather than directed to the particular instance of weakness.

Misstatements in Previously-Issued Financial Statements

5.5 If the auditor becomes aware of a material misstatement(s), whether factual, judgmental, or projected, affecting a previously-issued a financial statement(s), then the auditor will advise the agency's management to determine the specific amount(s) of the material misstatement(s) and the related effect(s) of such on the previously-issued financial statement(s) as soon as reasonably

⁶ GAGAS 1.17.

⁷ AICPA AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*.

⁸ GAGAS 4.28 and 4.29.

possible. The auditor should then evaluate whether the comparability of the financial statements between periods has been materially affected by adjustments to correct such material misstatements. Auditors should refer to AU-C 708, *Consistency of Financial Statements*.

5.6 If the specific amount(s) of the material misstatement(s) and the related effect(s) of such on a previously issued financial statement(s) are known and the issuance of the subsequent period audited financial statements is not imminent,⁹ then the auditor will advise the agency's management promptly to:

- Issue revised fiscal year financial statements before issuing the current fiscal year's financial statements;
- Communicate the issuance of the revised financial statements to those charged with governance, oversight bodies, funding agencies, and others who are relying or are likely to rely on the financial statement(s). This includes communication (1) in writing to the Congress, OMB, Treasury, and GAO, and (2) to the public on the Internet pages where the agency's previously issued financial statements that were affected by the material misstatement(s) are published; and
- Disclose the following information, at a minimum, in the agency's restatement note: (1) the nature and cause(s) of the misstatement(s) that led to the need for restatement, and (2) the specific amount(s) of the material misstatement(s) and the related effect(s) on the previously-issued financial statement(s) (e.g., year(s) being restated, specific financial statement(s) affected and line items restated, actions the agency's management took after discovering the misstatement), and the impact on the financial statements as a whole (e.g., change in overall net position).

5.7 If the specific amount(s) of the material misstatement(s) and the related effect(s) of such on a previously-issued financial statement(s) are known and issuance of the subsequent period audited financial statements is imminent, then the auditor will disclose restatements in the auditor's report as listed in Paragraph 7.9 and advise agency's management to:

- Issue restated financial statement(s) as part of the current year's comparative financial statements;
- Communicate the restatement to those charged with governance, oversight bodies, funding agencies, and others who are relying or are likely to rely on the financial statement(s). This includes communication (a) in writing to the Congress, OMB, Treasury, and GAO, and (b) to the public on the Internet pages where the agency's previously-issued financial statements that were affected by the material misstatement(s) are published; and
- Disclose the following information, at a minimum, in the agency's restatement note: (1) the nature and cause(s) of the misstatement(s) that led to the need for restatement and (2) the specific amount(s) of the material misstatement(s) and the related effect(s) on the previously-issued financial statement(s) (e.g., year(s) being restated, specific financial statement(s) affected and line items restated, actions the agency's

⁹ Imminent means within 90 calendar days of the subsequent-period subsequent financial statements planned issue date.

management took after discovering the misstatement), and the impact on the financial statements as a whole (e.g., change in overall net position).

5.8 If the specific amount(s) of the misstatement(s) and the related effect(s) of such on a previously-issued financial statement(s) remain unknown when the current year's financial statements are issued, then the auditor will follow Paragraph 7.10 when issuing the auditor's report and advise the agency's management as required in Paragraph 5.2.

5.9 The auditor will notify those charged with governance, oversight bodies, and funding agencies when management (1) does not take the necessary steps to promptly inform report users of the situation, or (2) does not restate with appropriate timeliness the financial statements in circumstances when the auditor believes they need to be restated. The auditor will inform these parties that the auditor will take steps to prevent future reliance on the auditor's report. The steps taken will depend on the facts and circumstances, including legal considerations. This includes communication in writing to the Congress, OMB, Treasury, and GAO as well as any other users known to rely on the previously-issued financial statement(s).

SECTION 6: SCOPE OF THE AUDIT

6.1 Financial statements will be audited in accordance with U.S. Generally Accepted Government Auditing Standards and the provisions of this Bulletin.

6.2 The auditor will determine whether the Basic Financial Statements and related notes present fairly, in all material respects, the assets, liabilities, and net position; net costs; changes in net position; budgetary resources; and, if applicable, custodial activity, social insurance, and changes in social insurance amounts in accordance with the accounting principles generally accepted in the United States.

6.3 If consolidating statements are presented, they will be considered supplementary information, or other information, depending upon whether the auditor is engaged to determine whether the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

- If the auditor is engaged to opine on whether consolidating statements are fairly stated, in all material respects, in relation to the financial statements taken as a whole, the consolidating statements are considered supplementary information and the auditor should apply the requirements of AU-C 725, *Supplementary Information in Relation to the Financial Statements as a Whole*.
- Absent a separate requirement to determine whether such information is properly stated, the auditor will consider the consolidating statements other information and should apply the requirements of AU-C 720, *Other Information in Documents Containing Audited Financial Statements*.

6.4 If the auditor is unable to determine whether the Basic Financial Statements are fairly presented because of, for example, the auditor's inability to obtain sufficient competent evidence due to inadequate accounting records, the auditor will, to the extent practical, obtain sufficient evidence about closing balances to support the audit of the subsequent year's financial statements.

6.5 When auditing allocation transfers from a Federal entity (referred to as the parent) to another agency or department (referred to as the child), the parent's auditor (whether the OIG or IPA) is responsible for ensuring that the child's information receives the audit coverage that, in the auditor's professional judgment, is required as part of the parent's annual financial statement audit (i.e., the amount should be subject to the same annual financial statement auditing procedures and materiality considerations as all other funding sources). As such, the two agencies and/or departments may need to coordinate to ensure that the parent auditor's needs, as they relate to the allocation transfer, are met. Such coordination may take place during the *early* planning phase of the annual financial statement audit.

6.6 The auditor will perform the procedures described in AU-C 730, *Required Supplementary Information*, for the following:

Required Supplementary Information (i.e., Management's Discussion and Analysis, Combining Statement of Budgetary Resources, Deferred Maintenance, etc.) as defined by FASAB.

Required Supplementary Stewardship Information (i.e., Stewardship investments: non-Federal physical property (such as highways), human capital (expenditures for training and education), and research and development), as defined by FASAB.

6.7 In accordance with the requirements of AU-C 720, *Other Information in Documents Containing Audited Financial Statements*, the auditor should read other information in the entity's Agency Financial Report (AFR) or Performance and Accountability Report (PAR) to identify material inconsistencies with the audited financial statements.

6.8 In accordance with AU-C 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*, the auditor should obtain an understanding of internal control relevant to the audit. Although most controls relevant to the audit are likely related to financial reporting, not all controls that relate to financial reporting are relevant to the audit. It is a matter of the auditor's professional judgment whether a control, individually or in combination with others, is relevant to the audit. When obtaining an understanding of controls that are relevant to the audit, the auditor should evaluate the design of those controls and determine whether they have been implemented. Risk assessment procedures to obtain audit evidence about the design and implementation of relevant controls may include inquiring of entity personnel; observing the application of specific controls; inspecting documentation and reports; and tracing transactions through the information system relevant to financial reporting. However, inquiry alone is not sufficient for such purposes.

The auditor should obtain an understanding of the control activities relevant to the audit, which are those control activities that the auditor judges as necessary to understand to assess the risk of material

misstatement at the assertion level and design further audit procedures responsive to assessed risks (AU-C 315). An audit does not require an understanding of all control activities related to each significant class of transactions, account balance, and disclosure in the financial statements or to every assertion relevant to them. However, the auditor should obtain an understanding of the process of reconciling detailed records to the general ledger for material account balances. Such an understanding includes control activities related to intra-entity and intra-governmental transactions and balances.

The auditor should obtain an understanding of the information system, including the related business processes relevant to financial reporting, including the following areas (AU-C 315, paragraph 19):

- The classes of transactions in the entity's operations that are significant to the financial statements;
- The procedures within both IT and manual systems by which those transactions are initiated, authorized, recorded, processed, corrected as necessary, transferred to the general ledger, and reported in the financial statements;
- The related accounting records supporting information and specific accounts in the financial statements that are used to initiate, authorize, record, process, and report transactions. This includes the correction of incorrect information and how information is transferred to the general ledger. The records may be in either manual or electronic form;
- How the information system captures events and conditions, other than transactions, that are significant to the financial statements;
- The financial reporting process used to prepare the entity's financial statements, including significant accounting estimates and disclosures; and
- Controls surrounding journal entries, including nonstandard journal entries used to record nonrecurring, unusual transactions, or adjustments.

In addition to the requirements set forth in AU-C 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*, paragraph .08 and GAGAS, for those controls that have been suitably designed and implemented, the auditor will perform sufficient tests of such controls to conclude whether the controls are operating effectively (i.e., sufficient tests of controls to support a low level of assessed control risk). Thus, the auditor should not elect to forgo control tests because it is more efficient to extend substantive and compliance audit procedures. Controls that are not suitably designed and implemented or that are not operating effectively will be communicated in accordance with Section 7 of this Bulletin.

6.9 In obtaining an understanding of the components of internal control, particularly the risk assessment component, and assessing control risk, the auditor will obtain an understanding of the process by which the agency identifies and evaluates weaknesses required to be reported under FMFIA and related agency implementing procedures.

6.10 The auditor will compare material weaknesses disclosed during the audit with those material weaknesses reported in the agency's FMFIA report that relate to the financial statements of the entity under audit and report material weaknesses identified in the audit that were not reported in the

agency's FMFIA report. The auditor should consider whether the failure to detect and report material weaknesses constitutes a significant deficiency or material weakness in the entity's internal control.

6.11 With respect to compliance with applicable laws and regulations, the auditor will perform tests of compliance with laws and regulations, including laws governing the use of budget authority, laws, regulations, and Government-wide policies identified by OMB in Appendix E of this Bulletin, or any other laws and regulations that could have a direct and material effect on the Basic Financial Statements. (See AU-C 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*. See also GAGAS 4.06 for additional requirements pertaining to the consideration of compliance with provisions of contracts and grant agreements).

6.12 The auditor will perform tests of the entity's compliance with FFMIA Section 803(a) requirements. This provision only applies to entities listed in Appendix A. Agencies subject to the ATDA and Government Corporation Control Act are not subject to the requirements of FFMIA, with the exception of Government corporations that are also components of one of the CFO Act agencies. Those Government corporations are subject to FFMIA similar to all other components of the CFO Act agencies, including components listed in Appendix B. The components, including the Government corporations, of the entities listed in Appendix A, are not required to report separately on compliance with FFMIA, and auditors of such separately issued component reports are not required to separately report on such component's compliance with FFMIA, Section 803(a) requirements.

6.13 The auditor will obtain written representation from management as part of an audit conducted in accordance with this Bulletin. (See AU-C 580, *Written Representations*) In addition to the standard representations included in AU-C 580, additional representations are required that are unique to the Federal Government. The additional representations are provided in Section 8 of this Bulletin.

Audits of Group Financial Statements

6.14 A Group Audit is the audit of group financial statements. It applies when the financial statements include financial information of more than one component as well as combined financial statements that aggregate the financial information prepared by components that are under common control. Auditors should refer to AU-C 600, *Audits of Group Financial Statements (Including the Work of Component Auditors)* when conducting an audit of group financial statements.¹⁰ The following summarizes some of the requirements of a group audit however; auditors should refer to AU-C 600 to obtain an understanding of all of the requirements when performing an audit of group financial statements.

6.15 The group engagement team should obtain sufficient appropriate audit evidence over the group financial statements through the group engagement team's work or the work of component auditors. Therefore, the group engagement team is required to be involved with component auditors

¹⁰ Also see the AICPA, *State and Local Government – Audit and Accounting Guide* Chapter 4, which includes additional information about group audits relevant to governmental entities.

and make decisions about the components including identifying significant components, determining whether to refer or take responsibility for the component work, and assessing risk.

6.16 The group engagement team is required to communicate specific items to the component auditor, and group management and/or those charged with governance of the group. Additionally, the group engagement team is required to request that the component auditor also communicate with the group engagement team about certain matters.

6.17 There will be coordination and communication between the component auditors and group auditors to effectively and efficiently comply with the requirements of AU-C 600. For example, this coordination and communication is expected between GAO in its role as group auditor of the consolidated financial statements of the U.S. Government and the OIG/IPA in its role as component auditor.

Using a Service Organization¹¹

6.18 A service organization is an organization or segment of an organization that provides services to user entities that are relevant to the user entities' internal control over financial reporting. A user entity is an entity that uses a service organization and whose financial statements are being audited. A user auditor is an auditor who audits and reports on the financial statements of a user entity.

6.19 The objectives of the user auditor, when the user entity uses the services of a service organization, are to obtain an understanding of the nature and significance of the services provided by the service organization and their effect on the user entity's internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement; and design and perform audit procedures responsive to those risks. If the user auditor is unable to obtain a sufficient understanding from the user entity, the user auditor should obtain that understanding from one or more of the following procedures:

- Obtaining and reading a type 1 or type 2 report, if available;¹²
- Contacting the service organization, through the user entity, to obtain specific information;
- Visiting the service organization and performing procedures that will provide the necessary information about the relevant controls at the service organization; and/or
- Using another auditor to perform procedures that will provide the necessary information about the relevant controls at the service organization.

In addition to the requirements set forth in AU-C 402, *Audit Considerations Relating to an Entity Using a Service Organization*, for those service organization controls that are relevant to the audit and have been suitably designed and implemented, service organizations *must* either provide its user

¹¹ See detailed guidance in AU-C 402, *Audit Considerations Relating to an Entity Using a Service Organization*.

¹² These reports are also referred to as SSAE 16 reports, which are prepared in accordance with the guidance in AT 801, *Reporting on Controls at a Service Organization*.

organizations with an audit report (referred to as a type 2 report) on whether: (1) management's description of the service organization's system fairly presents the service organization's system that was designed and implemented throughout the specified period, (2) internal controls were suitably designed to achieve the specified objectives and implemented throughout the specified period, and (3) the controls that were tested were operating effectively to provide reasonable assurance that the related control objectives were met during the period specified; or allow user auditors to perform appropriate tests of controls at the service organization.

6.20 A user entity may use a service organization that in turn uses a subservice organization to provide some of the services provided to a user entity that are relevant to that user entity's internal control over financial reporting. In such cases, the objectives of the user auditor are to obtain an understanding of the nature and significance of the services provided by the subservice organization and their effect on the user entity's internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement, and design and perform audit procedures responsive to those risks.

6.21 User entity management should obtain the service auditor's report within a reasonable time to allow the auditor of the user entity to consider the results of the service auditor's report during the audit of the user entity's financial statements. If such audit reports are not available in an appropriate time period as determined by the user auditor or there is a gap between the period covered by the service auditor's report and the user entity's year end, the user auditor should consider the procedures outlined in paragraph 6.19 above, which may include obtaining a "bridge letter" from the service organization which describes updates or changes, if any, in its controls since the previous audit report.

6.22 The user auditor should inquire of management of the user entity about whether the service organization has reported to the user entity, or whether the user entity is otherwise aware of, any fraud, noncompliance with laws, regulations, contracts, and grant agreements, or uncorrected misstatements at the service organization affecting the financial statements of the user entity. The user auditor should evaluate how such matters, if any, affect the user auditor's audit procedures, conclusions, and report.

SECTION 7: REPORTING

7.1 An audit report, or separate audit reports, on the Basic Financial Statements, internal control over financial reporting, and compliance with applicable laws, regulations, contracts, and grant agreements, will be prepared at the completion of the audit. The audit report(s) will be submitted to the agency head in sufficient time to enable the agency head to meet the due date for submitting the audited financial statement which is no later than 45 days after the fiscal year end. The audit results will be discussed with management as soon as practical but, in any case, prior to issuance of the audit report.

7.2 The audit report(s) will state that the audit was performed in accordance with U.S. Generally Accepted Government Auditing Standards and the provisions of this Bulletin. Auditors should refer to AU-C 700, *Forming an Opinion and Reporting on Financial Statements*, AU-C 705, *Modifications to the Opinion in the Independent Auditor's Report*, AU-C 706, *Emphasis-of-Matter Paragraphs and*

Other-Matter Paragraphs in the Independent Auditor's Report, chapter 4 of the 2011 revision of *Government Auditing Standards*, and chapter 4 of the AICPA Audit Guide – *Government Auditing Standards and Circular A-133 Audits*.

Audit Report

7.3 The audit report(s) will include either an opinion as to whether the reporting entity's Basic Financial Statements are fairly presented in all material respects in accordance with U.S. Generally Accepted Accounting Principles, or certain modifications as discussed in paragraphs 7.4 through 7.7.

7.4 The auditor should modify the opinion in the auditor's report when the auditor concludes that, based on the audit evidence obtained, the financial statements as a whole are materially misstated or the auditor is unable to obtain sufficient appropriate audit evidence to conclude that the financial statements as a whole are free from material misstatement.

7.5 The auditor should express a modified opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material but not pervasive to the financial statements or the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

7.6 The auditor should express an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

7.7 The auditor should disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

7.8 If the auditor considers it necessary to draw users' attention to a matter appropriately presented or disclosed in the financial statements that, in the auditor's professional judgment, is of such importance that it is fundamental to users' understanding of the financial statements, the auditor should include an emphasis-of-matter paragraph in the auditor's report, provided that the auditor has obtained sufficient appropriate audit evidence that the matter is not materially misstated in the financial statements. For example, the auditor may choose to include an emphasis-of-matter paragraph to discuss a change in accounting principles, identify the nature of the change and refer the reader to the note to the Basic Financial Statements that discusses the change in detail.

Reporting on Restatement of Previously-Issued Financial Statements

7.9 When management restates a previously-issued financial statement(s), the auditor will perform audit procedures sufficient to reissue or update the auditor's report on the restated financial statement(s). The auditor will fulfill these responsibilities whether the restated financial statement(s)

are separately issued or presented on a comparative basis with those of a subsequent period. The auditor will include the following information in an emphasis-of-matter or other matter paragraph in the reissued or updated auditor's report on the restated financial statement(s):

- A statement disclosing that a previously-issued financial statement(s) has been restated;
- A statement that the previously-issued financial statement(s) was materially misstated and that the previously-issued auditor's report (including report date) is withdrawn and replaced by the auditor's report on the restated financial statement(s), and change in the audit opinion;
- A reference to the note(s) to the restated financial statement(s) that discusses the restatement;
- A description of the following if not already provided in the note(s) to the financial statement(s): (1) the nature and cause(s) of the misstatement(s) that led to the need for restatement, and (2) the specific amount(s) of the material misstatement(s) and the related effect(s) on the previously-issued financial statement(s) (e.g., year(s) being restated and the specific financial statement(s) affected and line items restated), and the impact on the financial statements as a whole (e.g., change in overall net position); and
- If applicable, a reference to the report on internal control over financial reporting containing a discussion of any significant internal control deficiency identified by the auditor as having failed to prevent or detect the misstatement and what action management has taken to address the deficiency.

7.10 If at the time of issuance of the auditor's report a material misstatement(s) has been identified in any of the previously-issued financial statements and the specific amount(s) of the misstatement(s) and the related effect(s) of such are unknown, then the auditor will update the auditor's report on the previously-issued financial statement(s) as appropriate. Furthermore, the auditor's report will disclose, at a minimum, the following:

- A statement disclosing that a material misstatement(s) or potential material misstatement(s) affects a previously-issued financial statement(s) but the specific amount(s) of the misstatement(s) and the related effect(s) of such are unknown;
- A reference to the note(s) to the financial statements that discusses the restatement or potential restatement;
- A description of the following, if not already provided in the agency's note(s) to the financial statements: (1) the nature and cause(s) of the misstatement(s) or likely misstatement(s), and (2) an estimate of the magnitude of the misstatement(s) or potential misstatement(s) and the related effect(s) of such on a previously-issued financial statement(s) (e.g., disclosure of the specific financial statement(s) and line items affected) that are known and a statement that the specific amount(s) and the related effect(s) of such cannot be determined without further investigation; and
- A statement disclosing that a restatement(s) to a previously-issued financial statement(s) will or may occur.

Reporting on Supplementary Information, RSI, RSSI, Other Information, and Highlights

7.11 When reporting on supplementary information (such as consolidating information) in the AFR or PAR, the auditor will follow AU-C 725, *Supplementary Information in relation to the Financial Statements as a Whole*.

7.12 When reporting on required supplementary information and required supplementary stewardship information, the auditor will follow AU-C 730, *Required Supplementary Information*.

7.13 When reporting on other information in the AFR or PAR, the auditor will follow AU-C 720, *Other Information in Documents Containing Audited Financial Statements*. AU-C 720 requires the auditor to read the other information to identify inconsistencies with the audited financial statements. For example, the auditor should determine whether the information in the Summary of Management Assurances contains any inconsistencies with the audited financial statements.

7.14 When providing an opinion on a “Highlights” or similar summary financial statements, the auditor will follow AU-C 810, *Engagements to Report on Summary Financial Statements*.

Report on Internal Control Over Financial Reporting

7.15 In the report on internal control, the auditor should state that the auditor considered the Agency’s internal control over financial reporting to design audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control. (See AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*)

7.16 Auditors should include in the audit report or in a separate report identified significant deficiencies and material weaknesses in internal control over financial reporting, a description of the scope of the auditor’s testing of internal control over financial reporting and whether the tests they performed provided sufficient, appropriate evidence to support an opinion on the effectiveness of internal control.¹³

7.17 An opinion on internal control over financial reporting can be rendered if desired or mandated by statute. Such an opinion should be issued in accordance with the AICPA Statements on Standards for Attestation Engagements (SSAE), No. 15, *An Examination of an Entity’s Internal Control Over Financial Reporting That Is Integrated With an Audit of Its Financial Statements* (AT 501, *Codification of Statements on Standards for Attestation Engagements*).

7.18 The report will state that either the objective (1) was not to provide an opinion on internal control and, therefore, does not express such an opinion or (2) was to provide an opinion on internal control. In either case, the report on internal control over financial reporting will reference the audit

¹³ GAGAS 4.19 and 4.20

report on the financial statements.

7.19 The report will describe significant deficiencies and material weaknesses identified during the audit. In the event that no material weaknesses were identified during the audit, the section will state that no deficiencies in internal control were identified that were considered to be material weaknesses during the audit of the financial statements. (See AU-C 265)

7.20 The report will identify those material weaknesses identified in the audit that were not reported as material weaknesses in the reporting entity's FMFIA report.

Report on Compliance with Applicable Provisions of Laws, Regulations, Contract, and Grant Agreements

7.21 A report on the reporting entity's compliance with applicable provisions of laws, regulations, contracts, and grant agreements should include noncompliance with laws, regulations, contracts, and grant agreements identified in the audit, except for those instances of noncompliance that, in the auditor's judgment, are clearly inconsequential. Auditors should include in the same or in a separate report a description of the scope of the auditor's testing of compliance with provisions of laws, regulations, contracts, and grant agreements and whether the tests they performed provided sufficient, appropriate evidence to support an opinion on compliance with provisions of laws, regulations, contracts, and grant agreements. In meeting this requirement, the auditor will list those laws, regulations, contracts, and grant agreements that tests identified reportable instances of noncompliance. (See AU-C 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*. See also GAGAS 4.06 for additional requirements pertaining to the consideration of compliance with provisions of contracts and grant agreements).

7.22 When auditors conclude, based on sufficient, appropriate evidence, that any of the following either has occurred or is likely to have occurred, they should include in their report on internal control and compliance the relevant information about: (1) fraud and noncompliance with provisions of laws or regulations that have a material effect on the financial statements or other financial data significant to the audit objectives and any other instances that warrant the attention of those charged with governance; (2) noncompliance with provisions of contracts or grant agreements that has a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives; or (3) abuse that is material, either quantitatively or qualitatively.

7.23 The report will state either the objective (1) was not to provide an opinion on compliance with applicable laws, regulations, contracts, and grant agreements and, therefore, does not express such an opinion, or (2) was to provide an opinion on compliance with applicable laws, regulations, contracts, and grant agreements and reference the audit report on the financial statements.

Compliance with the Federal Financial Management Improvement Act of 1996 (FFMIA)

7.24 Section 803(b) of FFMIA requires the auditor to report whether the reporting entity's financial management systems comply with Section 803(a), which has three requirements.¹⁴ On January 9, 2009, OMB revised Circular No. A-127 and the Implementation Guidance for FFMIA (See OMB Memorandum No. 09-06, *Implementation Guidance for the Federal Financial Management Improvement Act*). When testing an agency's compliance with FFMIA, the auditor should refer to the revised Implementation Guidance (See http://www.whitehouse.gov/omb/circulars_a127). Auditors are reminded that "significant deficiencies" identified under FISMA must also be reported by management as material weaknesses under FFMIA and as a lack of substantial compliance under FFMIA if related to financial management systems (See Paragraph 2.4 of this Bulletin).

To meet the requirement in Section 803(b), for each of the three Section 803(a) requirements, the audit report will reflect instances in which the reporting entity's systems did not substantially comply with any of the three Section 803(a) requirements, or state that the audit disclosed no instances in which the reporting entity's systems did not comply with Section 803(a). If the audit disclosed no instances of noncompliance with any of the three Section 803(a) requirements, a single statement to this effect is sufficient. Where tests disclose that the reporting entity's systems did not substantially comply with one or more of the three Section 803(a) requirements, the auditor's report on compliance, (or an accompanying schedule that is referenced in the compliance report) should group findings together based on the requirement they relate to (i.e., Federal financial management systems requirements, applicable Federal accounting standards, or application of the USSGL at the transaction level) as required by FFMIA:

- Identify the entity or organization responsible for the financial management systems that were found not to substantially comply with any of the three Section 803(a) requirements;
- Include all facts pertaining to the noncompliance, including the nature and extent of the noncompliance, the primary reason or cause of the noncompliance, and any relevant comments from reporting entity management or employees responsible for the noncompliance; and,
- Provide recommended remedial actions.

¹⁴ Agencies subject to the ATDA and Government Corporation Control Act are not subject to the requirements of FFMIA, with the exception of Government corporations that are also components of one of the CFO Act agencies. Those specific Government corporations are subject to FFMIA similar to all other components of the CFO Act agencies. The Government corporations, however, are not required to report separately on compliance with FFMIA in their management reports, if applicable.

Compliance with OMB Circular No. A-123, Appendix A

7.25 The OMB Circular No. A-123, *Management's Responsibility for Internal Control* (A-123) implements the requirements of FMFIA. The A-123 contains Appendix A,¹⁵ which provides an assessment process that management should implement in order to properly evaluate and improve internal controls over financial reporting. The assessment process should provide management with the information needed to properly support a separate assertion as to the effectiveness of the internal controls over financial reporting, as a subset of the overall FMFIA report.

7.26 Auditors may elect, but are not required to report separately on agencies' compliance with the A-123, Appendix A. If auditors report separately on agencies' compliance with the A-123, Appendix A, auditors should consider whether:

- Management established an organizational structure to effectively implement, direct, and oversee the assessment process. The A-123 suggests a Senior Management Council and a Senior Assessment Team or equivalent structures. The oversight of the assessment process may also be incorporated into existing offices or functions within the organization that currently monitor the effectiveness of the organization's internal control.
- Management evaluated controls at the entity level and considered the components of internal control as defined in the A-123 and GAO's *Standards for Internal Control in the Federal Government* (www.gao.gov).
- Management established an approach to determine the scope of the assessment. The scope of the assessment includes identifying significant financial reports and key processes/controls/transactions. Management has discretion in determining both the breadth and depth of the scope of financial reporting. The breadth of financial reporting encompasses the specific financial reports included within the scope of the assessment and should include at least the annual and quarterly entity-wide financial reports. The depth of financial reporting are the boundaries of where the financial reporting process meets the operating processes on an entity-wide basis as well as the extent of coverage at the component unit and multiple locations.
- Management evaluated and documented the processes and controls as required by the A-123, Appendix A.
- Management documented its decisions on determining the scope, materiality, testing methodology, and other significant decisions related to this assessment. Management also documented its decisions for what, when, where and how to test the controls, and documented the tests and results. Management can and should use discretion when developing the testing approach that is required to support its statement of assurance.

¹⁵ The requirements of Appendix A are applicable to the CFO Act agencies.

The management assurance required by the agency head should be directly related to the amount of test work performed, as determined by scope, risk, and materiality determinations made by management.

- Management used the results of its testing, and considered information gathered during the financial statement audit, to support its conclusion whether internal control over financial reporting was properly designed and operating effectively.
- Management's assurance statement describes any scope limitation, and is consistent with the evidence gathered during the testing process, including information gathered during the financial statement audit.
- Management has plans in place and a process to continue assessing controls in accordance with the A-123, Appendix A.
- Management has a process in place to monitor implementation of corrective actions to resolve deficiencies in internal control, including material weaknesses.

Auditors should understand that Management has discretion in planning for and implementing their A-123, Appendix A program. Consequently, a determination of non-compliance should be made if management's A-123 implementation was poorly designed and executed.

7.27 Auditors should also consider that certain agencies elected to complete the A-123, Appendix A assessment over multiple years, which is also permissible under the A-123. For those agencies the following was required:

- Submission of a plan that: (i) states why the agency requires more than one year to execute its plan; (ii) provides for identifying, testing, and assessing a significant percentage of its key business processes and controls in each year; (iii) demonstrates how the agency will meet the A-123, Appendix A requirements by September 2008; and (iv) is reviewed and accepted by OMB;
- Implementation of their A-123 assessment process in substantial accordance with the OMB-approved plan; and
- Submission of an assurance statement by the agency head that accurately reflects the amount of work completed (e.g., agencies that are implementing a multi-year plan will need to identify a scope limitation) and the results of the assessments performed.

Status/Comments/Distribution

7.28 If the auditor's report discloses deficiencies in internal control, fraud, noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, auditors should obtain and report the views of responsible officials of the audited entity concerning the findings, conclusions, and recommendations, as well as any planned corrective actions. (See Chapter 4.33 – 4.39,

Reporting Views of Responsible Officials of the 2011 revision of Government Auditing Standards for further guidance).

7.29 Copies of the audit report(s) will be distributed to the head of the executive department or agency and subsequently included in the department's or agency's PAR, AFR (if applicable), or the corporation's Management Report.

Subsequent Discovery of Facts

7.30 With respect to the subsequent discovery of facts existing at the date of the auditor's report, the auditor will follow the steps in See AU-C 560, *Subsequent Events and Subsequently Discovered Facts*. If the auditor concludes that the previously-issued audit report is not reliable and action should be taken to prevent future reliance on the report, the auditor will communicate such facts to the audited entity. The auditor will also make the appropriate disclosure of the facts to persons who may be relying on the auditor's reports such as legislative or regulatory oversight bodies, Federal inspector(s) general, funding entities, and other oversight bodies if the audited entity fails to do so in a timely manner.

7.31 Revised financial statements and the auditor's report(s) should be issued as soon as practical after the effect on the previously issued financial statement and auditor's report can be determined. If the audited entity's subsequent-period financial statements and the related auditor's report will be issued imminently, the appropriate disclosures can be made in the subsequent-period statements instead of reissuing the earlier statements. For this purpose, "imminent" is defined as within 90 calendar days of the subsequent-period financial statements planned issue date. (See AU-C 560, *Subsequent Events and Subsequently Discovered Facts*, paragraphs 16.b and 17.b).

7.32 A-136 provides guidance on how entity management should correct errors in the financial statements and the specific information to be included in the notes when restatement is required.

SECTION 8: WRITTEN REPRESENTATIONS FROM MANAGEMENT

8.1 In accordance with AU-C 580, *Written Representations*, the auditor will obtain written representations from management for the periods covered by the auditors' report(s). In addition to the representations included in AU-C 580, additional representations may be required that are unique to the Federal Government. A list of any uncorrected misstatements should be included in or attached to the written representations from management. If there are no such uncorrected misstatements, a representation to this effect should be included in the written representations from management. In accordance with A-136, Section V, the written representations from agencies' management and accompanying summary of uncorrected misstatements are required for the audits of entity financial statements and the closing package financial statements used to compile the *Financial Report of the United States Government* (FR). Refer to the GAO/PCIE FAM Section 595C, *Uncorrected Misstatements and Adjusting Entries* (GAO/PCIE FAM Section 595C), and subsequent revisions, for a sample schedule of uncorrected misstatements and adjusting entries. Agencies are strongly encouraged to provide all of the information that is shown in GAO/PCIE FAM Section 595 C, and subsequent revisions, for the adjusting entries.

8.2 The written representations from management will be on the audited entity's letterhead. The representations should be dated in accordance with AU-C 580. To ensure the written representations from management are prepared timely, a draft letter should be provided to and discussed with management as early as possible in the audit and updated for circumstances found throughout the audit.

8.3 The written representations from management will be obtained from the highest levels of the audited entity. In accordance with AU-C 580, "[the] auditor should request written representations from management with appropriate responsibilities for the financial statements and knowledge of the matters concerned." These officials generally should be the head of the entity, the CFO, and any others deemed responsible for matters presented in the written representations from management.

8.4 The written representations from management will specify management's materiality threshold, or thresholds, if applicable, used for reporting items in the written representations from management. Items below this threshold would not be considered exceptions or reported as such in the written representations from management.¹⁶

8.5 The representations to be included in the written representations from management are part of the evidential matter to be considered by the auditor in its audit of the entity's financial statements. AU-C 580 discusses specific representations that should be obtained from management. The representations obtained will depend on the circumstances of the engagement and the nature and basis of presentation of the financial statements. In addition to the representations given in AU-C 580, the auditor generally should consider the need to obtain representations on other matters based on the circumstances of the audited entity. See also AU-C 725 and AU-C 730 for additional specific representations that should be obtained from management regarding supplementary information and required supplementary information. Furthermore, auditors may also request representations from management regarding other information in documents containing audited financial statements and the auditor's report thereon. The auditor should refer to the guidance detailed in the GAO/PCIE FAM Section 1001, *Management Representations*, and subsequent revisions. The sample written representations from management presented in Appendix G and in the GAO/PCIE FAM Section 1001A, *Example Management Representation Letter*, and subsequent revisions may be used as guidance and representations should be deleted if inapplicable or customized to the situation of the entity being audited. These sample illustrations should be tailored by the auditor for the entity being audited in accordance with the guidance provided in AU-C 580.

8.6 In addition to the representations discussed in the above paragraph, management is required to include a representation that addresses the consistency of budgetary data reported on the Statement of Budgetary Resources and the budgetary data submitted through FACTS II to prepare the year-end SF 133s, *Reports on Budget Execution and Budgetary Resources*. Management will use the following sample representation:

¹⁶ Management and the auditor should reach an understanding on a materiality level. For guidelines on establishing the materiality level for the written representations from management, see the GAO/PCIE FAM Section 1001, *Management Representations*, and subsequent revisions.

The information presented on the Department's Statement of Budgetary Resources is reconcilable to the information submitted on the Department's year-end Reports on Budget Execution and Budgetary Resources (SF 133s). This information will be used as input for the fiscal year 201x actual column of the Program and Financing Schedules reported in the fiscal year 201x Budget of the U.S. Government. Such information is supported by the related financial records and related data.

8.7 The written representations from management will be consistent with the auditor's report(s). If a representation is contradicted by other audit evidence, the auditor will investigate the circumstances and consider the reliability of the representation. Based on the circumstances, the auditor will then consider whether it is appropriate to rely on other management representations.

8.8 Notification must be provided to OMB, Treasury, and GAO regarding whether there are "no changes" or "changes" due to subsequent changes to the written representations from management or subsequent events affecting the agency financial statements (general-purpose and closing package) that have arisen after the written representations from management and financial statements have been submitted but before the date of the audit report on the FR. See A-136, Part V.3 Management Representation Letter.

8.9 The auditor will also obtain additional written representations, and a summary of uncorrected misstatements, for the closing package financial statements used to compile the FR. (See this Bulletin's Section 13 and Appendix F for further guidance.)

SECTION 9: LEGAL REPRESENTATION LETTERS AND MANAGEMENT'S SCHEDULES

9.1 In accordance with AU-C 501, *Audit Evidence – Specific Considerations for Selected Items*, the auditor will seek direct communication with the entity's legal counsel via a letter of inquiry prepared by management to those lawyers with whom management consulted concerning litigation, claims, and assessments.¹⁷ (See the GAO/PCIE FAM Section 1002B, *Example Legal Letter Request*, and subsequent revisions, for an illustrative letter of inquiry from entity management to legal counsel.) Management should document in a schedule how the information contained in the legal counsel's response(s) was considered in preparing the financial statements (See paragraph 9.3). In accordance with the A-136, Section V, legal representation letters and management's schedules are required for the audits of entity financial statements and the closing package financial statements used to compile the FR.

9.2 Legal counsels will consider the guidance contained in the American Bar Association's *Statement of Policy Regarding Lawyer's Responses to Auditors' Request for Information*

¹⁷ Management and the auditor should agree on a materiality level to use in the letter of inquiry. For guidelines on setting the materiality level for the legal letter see the GAO/PCIE FAM Sections 1002, *Inquiries of Legal Counsel*, and subsequent revisions.

(December 1975) in preparing their responses. (Refer to the Department of Justice website for guidance preparing a legal letter, http://www.justice.gov/civil/common/Legalrepleters_nonDOJ.html and see the GAO/PCIE FAM Section 1002C, *Example Legal Representation Letter*, and subsequent revisions, for an illustrative response letter from legal counsel to the auditor.)

9.3 To satisfy management's responsibilities under SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, as amended, related to contingent liabilities arising from litigation, and to facilitate the audit thereof, the CFO will prepare a schedule to document how the information contained in the legal counsel's response was considered in preparing the financial statements. (See the GAO/PCIE FAM Section 1002D, *Example Management Summary Schedule*, and subsequent revisions, for the format to be used for management's schedule).

9.4 The timing of legal letter requests, responses, and related management's schedules will be coordinated between entity legal counsel, entity management, and the auditor. Legal counsel should specify the effective date of the legal representation response. Management's schedule should be provided as soon as practical after the legal letter response is provided to the auditor. All due dates will be in accordance with the due dates established in the A-136, Part I. 5 Submission Deadlines.

9.5 Updated legal responses and management schedules will only include changes from the interim responses/schedules, or a statement that there are no changes. After applying applicable audit procedures, interim and updated legal letters will be submitted by the OIG to the Department of Treasury's Bureau of the Fiscal Service (Fiscal Service) and GAO no later than the dates established in the A-136, Part I.5, Submission Deadlines. The OIG will inform the Fiscal Service, via email, of any subsequent changes in cases that arise after the final representation letter but prior to the end of the Government-wide financial statement audit completion date (per AU-C 230, *Audit Documentation*). Contact information for these agencies can be found in the A-136, Appendix B.

SECTION 10: COMMUNICATING OTHER DEFICIENCIES

10.1 As codified in AU-C 265, the auditor may identify other deficiencies in internal control that are not significant deficiencies or material weaknesses, but that may be of sufficient importance to merit management's attention based on the auditor's professional judgment. The auditor may separately communicate to the reporting entity's management other deficiencies in internal control identified during the audit. Other deficiencies in internal control may be communicated in writing or orally. If other deficiencies in internal control are communicated orally, the auditor should document the communication.

SECTION 11: AGREED-UPON PROCEDURES: RETIREMENT, HEALTH BENEFITS, AND LIFE INSURANCE WITHHOLDINGS/CONTRIBUTIONS AND SUPPLEMENTAL SEMIANNUAL HEADCOUNT REPORT SUBMITTED TO THE OFFICE OF PERSONNEL MANAGEMENT (OPM)

11.1 The Agreed-Upon Procedures (AUPs) will be performed annually in accordance with AICPA Professional Standards, AT Section 201, *Agreed-Upon Procedures Engagements*, and GAGAS Chapter 5. The AUPs are designed to assist OPM in assessing the reasonableness of the Retirement, Health Benefits, and Life Insurance withholdings/contributions as well as semiannual headcount information submitted by agencies. The sufficiency of the procedures is solely the responsibility of the Inspector General and the Chief Financial Officer of OPM and will be applied to the 12 months ended August 31 of each year.

11.2 Refer to <http://www.opm.gov/oig/> for the current AUPs required by OPM.

11.3 The auditor of each payroll provider will apply the AUPs separately (1) for each entity designated as subject to the CFO Act in Appendix A, and (2) each entity not designated as subject to the CFO Act that has 30,000 or more employees.

11.4 Although the auditor must perform the AUPs separately for each applicable entity, the auditor will combine the results into a single report.

11.5 The auditor of the payroll provider is the principal auditor for the purpose of performing the AUPs. The auditors of customer agencies will participate to the extent necessary to ensure that the AUPs are performed effectively and within the established time frames.

11.6 In light of the migration of payroll servicing responsibilities under the e-Payroll initiative, the payroll provider as of March 31 will be responsible for assuring that the AUPs are performed and reported upon.

11.7 The report on the performance of the AUPs will be submitted no later than *October 1*. To the extent practical, management's comments on the auditor's findings will be included in the report.

11.8 If a specific AUP cannot be performed, the auditor must propose to OPM's OIG in writing no later than *July 15* at the address in 11.10 an alternative procedure that would accomplish the AUPs' objectives. In addition, auditors will notify OPM's OIG by *September 1* of any other anticipated difficulties in completing the procedures and submitting the required report by *October 1*.

11.9 The principal auditor of the payroll provider is required to report all findings to OPM by adhering to AICPA Professional Standards, AT Section 201, paragraphs 24 through 26 and 31 through 34; and Generally Accepted Government Auditing Standards Chapter 5. This will assist and enhance OPM's ability to track each finding for all agencies.

11.10 Agencies will submit three copies of the report on the application of these procedures to

OPM's OIG at the address below or, alternatively, may email the report as a PDF attachment to wwscott@opm.gov, with a cc: to FinancialBALs@opm.gov.

U.S. Office of Personnel Management
Office of Inspector General
Room 6400
1900 E Street, N.W.
Washington, DC 20415
Attention: W.W. Scott, Jr.

SECTION 12: INSPECTOR GENERAL OVERSIGHT

12.1 Section 4(b) of the IG Act of 1978, as amended, requires OIGs to establish guidelines to determine when it is appropriate to use non-Federal auditors such as IPAs. The IG Act also requires OIGs take appropriate steps to assure that any work performed by the non-Federal auditors comply with GAGAS. When the OIG uses non-Federal auditors to perform agency's financial statement audit, the OIG will:

- Provide oversight, technical advice, and liaison to non-Federal auditors;
- Ensure that audits and audit reports are completed timely and in accordance with the requirements of GAGAS, this Bulletin, and other applicable professional auditing standards;
- Document oversight activities and monitor audit status; and
- Review responses to audit reports and report significant disagreements to the audit follow-up official per OMB Circular No. A-50, Audit Follow-up.

12.2 The OIG is encouraged to use applicable provisions of GAO/PCIE FAM Section 650, *Using the Work of Others*, which provides guidance on designing and performing oversight procedures when using the work of other auditors in the agency's financial statement audit.

SECTION 13: AUDIT OF THE CLOSING PACKAGE FINANCIAL STATEMENTS

13.1 The GMRA requires the Secretary of the Treasury, in coordination with the Director of the OMB, to annually prepare and submit to the President and the Congress an audited financial statement for the preceding fiscal year for the executive branch of the United States Government, namely the FR.

13.2 The Department of the Treasury's Fiscal Service prepares the FR using financial data

received from the closing package and FACTS I submitted via GFRS by the significant entities.¹⁸

13.3 The closing package financial statements include the Closing Package Financial Statement Report – Balance Sheet and the related Closing Package Financial Statement Reports – Statement of Net Cost and Statement of Changes in Net Position, (if applicable the Closing Package Financial Statement Report – Statement of Social Insurance and Statement of Changes in Social Insurance) and the related FR Notes Reports (except for the information in the FR Notes Reports entitled “Threshold”); the accompanying Additional Note Number X (if this reporting description is not disclosed within the summary of significant accounting policies); the accompanying Trading Partner Summary Note Report – Balance Sheet; and the related Trading Partner Summary Note Reports – Statement of Net Cost and Statement of Changes in Net Position. The closing package financial statements are required to be audited and audit reports are to be submitted to the Fiscal Service, OMB, and GAO. An illustrative auditor’s report is provided in Appendix H.

13.4 Audits will be performed annually and on comparative statements. Verifying entities with a year-end other than September 30 are limited to audit assurance on material line items which the verifying entities contribute and may refers to the *TFM Chapter 4700* for additional guidance.

13.5 For purposes of this section, the significant entities to the FR, as identified in the TFM Chapter 4700, will subject their closing package financial statements to an audit by the OIG of the agency or by an independent auditor IPA as determined by the OIG. If the agency does not have an OIG, the financial statement audit will be performed by an IPA as determined by management.

13.6 Communication during the audit of the closing package financial statements will follow the same principles as defined in Section 5 of this Bulletin.

13.7 The closing package financial statements will be audited in accordance with U.S. Generally Accepted Government Auditing Standards and the provisions of this Bulletin. The audit of the closing package financial statements will encompass and leverage the audit work performed relative to the general-purpose financial statements (referred to as “general-purpose financial statements and related notes” elsewhere in the Bulletin). The purpose of the audit of the closing package financial statements is not to duplicate the audit work performed relative to the general purpose financial statements, but to provide independent assurance that the closing package financial statements are presented in accordance with U.S. Generally Accepted Accounting Principles and prepared to comply with the presentation requirement in the TFM Chapter 4700.

¹⁸ The significant entities to the Financial Report of the U.S. Government (FR) are identified in the Department of the Treasury’s Financial Manual (TFM) Volume I, Part 2, Chapter 4700. <http://www.fms.treas.gov/factsi/index.html> and the A-136 www.whitehouse.gov/omb. The significant entities to the FR are referenced in the TFM as the “verifying agencies”. All remaining agencies should complete FACTS I adjusted trial balance data and should complete GFRS FR Notes and Other FR Data.

13.8 The auditor will determine whether the closing package financial statements fairly present, in all material respects, the financial position, net costs, changes in net position, social insurance (if applicable), and changes in social insurance amounts (if applicable), in accordance with U.S. Generally Accepted Accounting Principles.

13.9 The internal control relating to the closing package financial statements will encompass the internal control relating to the general-purpose financial statements, upon which the closing package financial statements are based. The auditor will also obtain an understanding of the internal control over the financial reporting process for the closing package financial statements including accompanying notes and perform tests of those controls. Providing an opinion on the internal control relating to the closing package financial statements reporting is not an objective of this audit.

13.10 The reporting on compliance with laws, regulations, contracts, and grant agreements will encompass the compliance reporting related to the general-purpose financial statements upon which the closing package financial statements are based. In addition, regarding compliance with the TFM Chapter 4700, the auditor will perform tests of compliance with that Chapter that could have a direct and material effect on the closing package financial statements. Providing an opinion on the compliance with the TFM Chapter 4700 requirements is not an objective of this audit.

13.11 The auditor will obtain written representations from management as part of an audit conducted in accordance with this Bulletin. When appropriate, management may combine its representations for the audits of the closing package financial statements and the general-purpose financial statements. (See Appendix F and Appendix G).

13.12 The auditor will also obtain additional written representations, and a summary of uncorrected misstatements, for the closing package financial statements used to compile the FR. The summary of uncorrected misstatements will contain uncorrected misstatements identified in the audited general-purpose financial statement summary and any additional uncorrected misstatements identified in the Closing Package. Explanations should be provided for any difference between the two summaries to facilitate the consolidation of the FR. In addition, the adjusting entries to correct the misstatements should also be provided. If there are no such uncorrected misstatements, a representation to this effect should be included in the written representations from management. Refer to the GAO/PCIE FAM Section 595C, and subsequent revisions, for a sample schedule of uncorrected misstatements and adjusting entries. Agencies are strongly encouraged to provide all of the information that is shown in GAO/PCIE FAM Section 595C, and subsequent revisions, for the adjusting entries.

13.13 The management representations and related summary of uncorrected misstatements will be submitted to Treasury, GAO, and OMB by the due dates listed in A-136, Part I.5, *Submission Deadlines*, and TFM Chapter 4700.

Audit Report

13.14 An auditor's report(s) on the closing package financial statements, internal control over the financial reporting process for the closing package financial statements, and compliance with TFM Chapter 4700 will be prepared at the completion of the audit in accordance with U.S. Generally

Accepted Government Auditing Standards and this Bulletin. The audit report(s) will state that the audit was conducted in accordance with U.S. Generally Accepted Government Auditing Standards and the provisions of this Bulletin. The audit report(s) will be submitted to Treasury, GAO and OMB no later than the date specified in A-136, Part I. 5 Submission Deadlines. The audit results will be discussed with management as soon as practicable but, in any case, prior to issuance of the audit report.

13.15 The audit report will include either an opinion as to whether the reporting entity's closing package financial statements are fairly presented in all material respects in accordance with U.S. Generally Accepted Accounting Principles, or certain modification as described in paragraphs 13.16 – 13.19. The auditor will report in accordance with AU-C 805, *Special Considerations - Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*, and should refer to the opinion on the general-purpose financial statements (See Appendix H). Additionally, the auditor should include an emphasis-of-matter paragraph in the auditor's report that states the purpose for which the presentation is prepared and refer to a note in the closing package financial statements that describes the basis of presentation (See Appendix I). This information may be included within the summary of significant accounting policies note disclosure or presented as a separate note. Auditors should refer to AU-C 705, *Modifications to the Opinion in the Independent Auditor's Report*, AU-C 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*, and Chapter 4 of the 2011 revision of *Government Auditing Standards*.

13.16 The auditor should modify the opinion in the auditor's report when the auditor concludes that, based on the audit evidence obtained, the closing package financial statements as a whole are materially misstated or the auditor is unable to obtain sufficient appropriate audit evidence to conclude that the closing package financial statements as a whole are free from material misstatement.

13.17 The auditor should express a modified opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are material but not pervasive to the closing package financial statements or the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the closing package financial statements of undetected misstatements, if any, could be material but not pervasive.

13.18 The auditor should express an adverse opinion when the auditor, having obtained sufficient appropriate audit evidence, concludes that misstatements, individually or in the aggregate, are both material and pervasive to the closing package financial statements.

13.19 The auditor should disclaim an opinion when the auditor is unable to obtain sufficient appropriate audit evidence on which to base the opinion, and the auditor concludes that the possible effects on the closing package financial statements of undetected misstatements, if any, could be both material and pervasive.

13.20 With respect to reporting on other data, the auditor will follow AU-C 720, *Other Information in Documents Containing Audited Financial Statements*; and AU-C 730, *Required Supplementary Information*, as applicable. (See Appendix H).

Section on Internal Control Over Financial Reporting

13.21 In the section on internal control, the auditor should state that the auditor considered the Agency's internal control over financial reporting to design the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the closing package financial statements, but not for the purpose of expressing an opinion on the effectiveness of internal control.

13.22 The auditor will describe significant deficiencies and material weaknesses identified during the audit of the closing package financial statements. In the event that no material weaknesses were identified during the audit of the closing package financial statements, the section will state that no deficiencies in internal control were identified that were considered to be material weaknesses during the audit of the closing package financial statements.

13.23 The section will state that providing an opinion on internal control over the closing package financial statements reporting was not an objective of the audit.

13.24 The section will reference the report on internal control that was issued as part of the audit of the general-purpose financial statements and should describe the material weaknesses, and significant deficiencies identified in the audit of the general-purpose financial statements.

Section on Compliance with the TFM

13.25 The auditor will report noncompliance with the TFM, Volume I, Part 2, Chapter 4700 disclosed by audit, except for those instances of noncompliance that, in the auditor's judgment, are clearly inconsequential.

- Include all facts pertaining to the noncompliance, including the nature and extent of the noncompliance, the primary reason or cause of the noncompliance, and any relevant comments from reporting entity management or employees responsible for the noncompliance.
- Provide recommended remedial actions.

13.26 In the event the audit disclosed no reportable instances of noncompliance, the section will state that the audit disclosed no reportable instances of noncompliance with the TFM Chapter 4700.

13.27 The section will state that providing an opinion on compliance was not an objective of the audit.

13.28 The section will reference the report on compliance with laws, regulations, contracts, and grant agreements that was issued as part of the audit of the general-purpose financial statements and should describe the reporting instances of noncompliance identified in the audit of the general-purpose financial statements.

Comments/Distribution

13.29 The reporting entity will be given the opportunity to provide comments on the auditor's findings and recommendations included in the audit report, including corrective actions taken or planned and comments on the status of corrective actions taken on prior findings. To the extent practical, these comments will be included in the audit report, as applicable. If corrective actions are not necessary, an explanatory statement will be included in the applicable audit report.

13.30 Specified documents are required to be submitted with the audit report. (Refer to the TFM Chapter 4700 for a complete listing.)

13.31 Copies of the audit report(s) will be distributed to the head of the executive department or agency and simultaneously submitted to the Treasury, OMB, and GAO, no later than the date specified in the A-136, Part I. 5 Submission Deadlines.

Communicating Other Deficiencies

13.32 As codified in AU-C 265, the auditor may identify other deficiencies in internal control that are not significant deficiencies or material weaknesses, but that may be of sufficient importance to merit management's attention based on the auditor's professional judgment. The auditor may separately communicate to management of the reporting entity of other deficiencies in internal control identified during the audit. Other deficiencies in internal control may be communicated in writing or orally. If other deficiencies in internal control are communicated orally, the auditor should document the communication.

Intragovernmental Balances

13.33 Intragovernmental balances and transactions are a key component in the consolidation of the financial information submitted by Federal entities and in the overall compilation process of the FR. Intragovernmental balances include transactions between Federal entities such as services or goods sold, transfers of assets or budget authority, investments or borrowings with the Department of the Treasury, and benefit-related transactions with the Department of Labor and the Office of Personnel Management. See the TFM Chapter 4700 for information related to: (1) the quarterly and year-end requirements to reconcile and resolve the reported intragovernmental activity and balances, (2) intragovernmental transactions metrics and scorecards, and (3) the audit requirements for the intragovernmental activity and balances contained in the closing package.

Agreed Upon Procedures

13.34 Starting in fiscal year 2014, Agency Inspectors General will be notified by OMB/Treasury in the first quarter of fiscal year if they have been selected to complete Intragovernmental Transactions (IGT) agreed-upon procedures (AUP). This selection will be made by OMB/Treasury based on the results of Intragovernmental Reporting and Analysis System (IRAS) and IGT Scorecard reporting from quarter four of the previous year. The AUP will be targeted to identify, analyze, and facilitate

the correction of the underlying internal control or process weaknesses at those agencies selected by OMB/Treasury. Upon selection, Treasury will work with the Agency and OIG/IPA to define the scope and logistics of the AUP engagement.

SECTION 14: SIGNIFICANT DUE DATES AND CONTACT INFORMATION FOR FINANCIAL STATEMENTS AND RELATED REPORTS

14.1 For a complete list of year-end financial reports and their respective due dates, please refer to the A-136, Part I. 5 Submission Deadlines and the TFM Chapter 4700. In addition, contact information is provided in the A-136, Appendix B.

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Appendix I: Required TFM Note to the Closing Package Financial Statements

**EXECUTIVE DEPARTMENTS AND AGENCIES
SUBJECT TO THE CHIEF FINANCIAL OFFICERS (CFO) ACT
REQUIRED TO PREPARE FINANCIAL STATEMENTS**

Department of Agriculture
Department of Commerce
Department of Defense
Department of Education
Department of Energy
Department of Health and Human Services
Department of Homeland Security
Department of Housing and Urban Development
Department of the Interior
Department of Justice
Department of Labor
Department of State
Department of Transportation
Department of the Treasury
Department of Veterans Affairs
Agency for International Development
Environmental Protection Agency
General Services Administration
National Aeronautics and Space Administration
National Science Foundation
Nuclear Regulatory Commission
Office of Personnel Management
Small Business Administration
Social Security Administration

**COMPONENTS OF EXECUTIVE DEPARTMENTS AND AGENCIES
REQUIRED TO PREPARE FINANCIAL STATEMENTS¹⁹**

Department of Agriculture

Food and Nutrition Service
Forest Service
Rural Development Mission Area

Department of Defense

Department of Army General Funds
Department of Navy General Funds
Department of Air Force General Funds
Military Retirement Fund
U.S. Army Corps of Engineers Civil Works Program
Department of Army Working Capital Fund
Department of Navy Working Capital Fund
Department of Air Force Working Capital Fund

Department of Health and Human Services

Centers for Medicare & Medicaid Services

Department of Transportation

Federal Aviation Administration

Department of the Treasury

Internal Revenue Service

Office of Personnel Management

Civil Service Retirement and Disability Fund
Federal Employees Health Benefits Program
Federal Employees Life Insurance Program

¹⁹ The requirement for components to prepare financial statements may be satisfied by presenting the components separately in consolidated agency-wide financial statements and conducting an audit, in accordance with this Bulletin, at the consolidated financial statement level.

**EXECUTIVE AGENCIES
SUBJECT TO THE ACCOUNTABILITY OF TAX DOLLARS ACT REQUIRED TO
PREPARE FINANCIAL STATEMENTS**

Administrative Conference of the United States
Advisory Council on Historic Preservation
African Development Foundation
American Battle Monuments Commission
Appalachian Regional Commission
Architectural and Transportation Barriers Compliance Board (Access Board)
Armed Forces Retirement Home
Barry Goldwater Scholarship and Excellence in Education Fund
Broadcasting Board of Governors
Central Intelligence Agency
Chemical Safety and Hazard Investigation Board
Christopher Columbus Fellowship Foundation
Commission on Civil Rights
Commission of Fine Arts
Commission for the Preservation of America's Heritage Abroad
Committee for Purchase from People Who Are Blind or Severely Disabled
Commodity Futures Trading Commission
Consumer Product Safety Commission
Council of the Inspectors General on Integrity and Efficiency
Court Services and Offender Supervision Agency for DC
Defense Nuclear Facilities Safety Board
Delta Regional Authority
Denali Commission
Election Assistance Commission
Equal Employment Opportunity Commission
Farm Credit Administration
Farm Credit System Insurance Corporation
Federal Communications Commission
Federal Election Commission
Federal Financial Institutions Examination Council Appraisal Subcommittee
Federal Housing Finance Agency
Federal Labor Relations Authority
Federal Maritime Commission
Federal Mediation and Conciliation Service
Federal Mine Safety and Health Review Commission
Federal Retirement Thrift Investment Board
Federal Trade Commission
Gulf Coast Ecosystem Restoration Council
Harry S Truman Scholarship Fund

EXECUTIVE AGENCIES
SUBJECT TO THE ACCOUNTABILITY OF TAX DOLLARS ACT
REQUIRED TO PREPARE FINANCIAL STATEMENTS

Institute of Museum and Library Services
Inter-American Foundation
Intelligence Community Management Account
James Madison Memorial Fellowship Foundation
Japan-United States Friendship Commission
Marine Mammal Commission
Merit Systems Protection Board
Morris K. Udall and Stewart Udall Foundation
National Archives and Records Administration
National Capital Planning Commission
National Council on Disability
National Credit Union Administration
National Endowment for the Arts
National Endowment for the Humanities
National Labor Relations Board
National Mediation Board
National Transportation Safety Board
Nuclear Waste Technical Review Board
Occupational Safety and Health Review Commission
Office of Government Ethics
Office of Navajo and Hopi Indian Relocation Commission
Office of Special Counsel
Office of the Federal Coordinator for Alaska Natural Gas Transportation Projects
Peace Corps
Postal Regulatory Commission
Railroad Retirement Board
Securities and Exchange Commission
Selective Service System
Smithsonian Institution (SI)
SI/John F. Kennedy Center for the Performing Arts
SI/National Gallery of Arts
SI/Woodrow Wilson International Center for Scholars
Trade and Development Agency
United States Court of Appeals for Veterans Claims
United States Holocaust Memorial Museum
United States Interagency Council on Homelessness
United States International Trade Commission
Vietnam Education Foundation

**GOVERNMENT CORPORATIONS
REQUIRED TO PREPARE FINANCIAL STATEMENTS**

Commodity Credit Corporation
Community Development Financial Institutions Fund
Corporation for National and Community Service
Export-Import Bank of the United States
Federal Crop Insurance Corporation
Federal Deposit Insurance Corporation
Federal Home Loan Banks
Federal Housing Administration Fund
Federal Prison Industries, Incorporated
Financing Corporation
Government National Mortgage Association
Millennium Challenge Corporation
National Credit Union Administration Central Liquidity Facility
Overseas Private Investment Corporation
Pension Benefit Guaranty Corporation
Presidio Trust
Rural Telephone Bank
Resolution Funding Corporation
Saint Lawrence Seaway Development Corporation
Tennessee Valley Authority
Valles Caldera Trust

GENERAL LAWS²⁰

- Anti-Deficiency Act (codified as amended in 31 U.S.C. §§ 1341, 1342, 1351, 1517)
31 U.S.C. § 1341(a)(1)(A) and (C)
31 U.S.C. § 1517 (a)
- Federal Credit Reform Act of 1990, Pub. L. No. 101-508, 104 Stat. 1388-610 (codified in various sections of title 2, United States Code)
2 U.S.C. § 661(b) and (e)
- Pay and Allowance System for Civilian Employees as provided primarily in Chapters 51-59 of title 5, United States Code
5 U.S.C. §§ 5332 and 5343
29 U.S.C. § 206
- Prompt Payment Act (codified as amended in 31 U.S.C. §§ 3901-3907)
31 U.S.C. § 3902(a), (b), and (f)
31 U.S.C. § 3904
- Provisions Governing Claims of the United States Government as provided primarily in sections 3711 through 3720E of title 31, United States Code (including provisions of the Debt Collection Improvement Act of 1996, Pub. L. No. 104-134, 110 Stat. 1321-358, which also is codified in various sections of titles 5, 18, 26, 28, 31, and 42, United States Code)
31 U.S.C. § 3711
31 U.S.C. § 3717 (a), (b), (c), (e) and (f)
31 U.S.C. § 3719

²⁰ The auditor is not expected to test all provisions of each law presented. However, the auditor is expected to test, at a minimum, the provisions cited above.

**ILLUSTRATIVE WRITTEN REPRESENTATIONS FROM MANAGEMENT
FOR THE CLOSING PACKAGE FINANCIAL STATEMENTS**

[Entity Letterhead]

[Date of Auditor's Report and completion of the audit]

[Name and Title of Audit Organization Head]

[Address of Audit Organization]

Dear [Name of Audit Organization Head]:

This representation letter is provided in connection with your audits of the Closing Package Financial Statement Report – Balance Sheet of [name of Federal agency], as of September 30, 20X2 and 20X1, the related Closing Package Financial Statement Reports – Statement of Net Cost and Statement of Changes in Net Position for the years then ended, and the Closing Package Financial Statement Report – Statement of Social Insurance and the Statement of Changes in Social Insurance Amounts (if applicable), and the related Financial Report (FR) Notes Report (except for the information in the FR Notes Report entitled “Threshold”) for the years then ended; the accompanying Additional Note No. [insert number]; the accompanying Trading Partner Summary Note Report – Balance Sheet as of September 30, 20X2 and 20X1; and the related Trading Partner Summary Note Report – Statement of Net Cost and Statement of Changes in Net Position for the years then ended (hereinafter referred to as the closing package financial statements) for the purpose of expressing an opinion on whether the closing package financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles.

The closing package financial statements were prepared to comply with the requirements of the U.S. Department of the Treasury’s *Treasury Financial Manual* (TFM) Volume I, Part 2, Chapter 4700 for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office to use in preparing and auditing the *Financial Report of the U.S. Government*, and are not intended to be a complete presentation of the [consolidated] balance sheets of the [name of Federal Agency] as of September 30, 20X2 and 20X1, and the related [consolidated] statements of net cost, [and] changes in net position, and combined statements of budgetary resources, social insurance [if applicable] and changes in social insurance amounts [if applicable] [and custodial activity], (hereinafter referred to as “general-purpose financial statements”) for the years then ended.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than \$[Insert amount] collectively are not considered to be exceptions that require disclosure for the purpose of the following

**ILLUSTRATIVE WRITTEN REPRESENTATIONS FROM MANAGEMENT
FOR THE CLOSING PACKAGE FINANCIAL STATEMENTS**

representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the closing package financial statements.

These supplemental representations are in addition to the letter of representations made on [insert date] in connection with the audits of the [Entity]'s general-purpose financial statements.²¹

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of [date of auditor's report], the following representations made to you during your audits:

1. No information has come to our attention that would cause us to believe that any of the representations that we provided to you in our management representation letter dated [insert date of representation letter related to the general-purpose financial statements] should be modified.
2. No events have occurred subsequent to [insert date of representation letter related to general-purpose financial statements] and through the date of this letter that would require adjustment to or disclosure in the closing package financial statements.

We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated [insert date of engagement letter], for the preparation and fair presentation of the closing package financial statements in accordance with U.S. Generally Accepted Accounting Principles and the presentation requirements set forth in the TFM, Volume 1, Part 2, Chapter 4700.

We acknowledge our responsibility for preventing and detecting fraud, including the design, implementation, and maintenance of programs and controls to prevent and detect fraud; for adopting sound accounting policies; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the closing package financial statements and for complying with the requirements set forth in TFM Chapter 4700 to provide reasonable assurance against the possibility of misstatements that are material to the closing package financial statements whether due to error or fraud.

²¹ These representations are considered as a supplement to the representations provided in the general-purpose financial statement audit. Auditors may repeat representations from the general-purpose financial statements written representations from management and also include specific items for the closing package financial statements noted below for purposes of the closing package financial statements written representations from management.

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5. We have made available to you:
 - a) All records, documentation, and information that is relevant to the preparation and fair presentation of the closing package financial statements;
 - b) Additional information that you have requested from us for the purpose of the audit; and
 - c) Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.
 - d) Communications from regulatory/oversight agencies (such as OMB and GAO), other governmental entities or agencies (such as the U.S. Department of Treasury), governmental representatives, employees, or others concerning investigations or allegations of noncompliance with laws or regulations, deficiencies in financial reporting practices, or other matters that could have a material adverse effect on the closing package financial statements, if applicable
6. All transactions have been recorded in the accounting records and reflected in the closing package financial statements.
7. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting specifically related to the closing package financial statements of which we are aware, which could adversely affect [the Entity's] ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C Section 265, *Communicating Internal Control Related Matters Identified in an Audit*.

If there are material weaknesses in internal control over the closing package financial statement reporting process, the foregoing representation should be modified to read:
"We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting specific to the closing package financial statements of which we are aware, which could adversely affect the Entity's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*."

8. We have disclosed to you the results of our assessment of the risk that the closing package financial statements may be materially misstated as a result of fraud.

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9. We have [no knowledge of any] [disclosed to you all information that we are aware of regarding] fraud or suspected fraud affecting the entity (related to the closing package financial statements) involving:
- a) Management;
 - b) Employees who have significant roles in internal control over financial reporting, or
 - c) Others where the fraud could have a material effect on the closing package financial statements.
10. We have [no knowledge of any] [disclosed to you all information that we are aware of regarding] allegations of fraud or suspected fraud (related to the closing package financial statements) affecting the entity received in communications from employees, former employees, analysts, regulators, or others.
11. We have no knowledge of any officer or [director/trustee] [or member of governing body] of the [Entity], or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate or mislead you during your audit.

We have disclosed to you all known instances of non-compliance or suspected non-compliance with the certain required provisions of TFM Chapter 4700.

12. There are no uncorrected financial statement misstatements as we have adjusted the financial statements for all misstatements of which you have informed us. (or) The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the closing package financial statements as a whole. A list of the uncorrected misstatements is attached to this letter.

[Signed by Agency Head]

[Signed by Chief Financial Officer]

**ILLUSTRATIVE WRITTEN REPRESENTATIONS FROM MANAGEMENT
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[Entity Letterhead]

[Date of Auditor's Report and Completion of the Audit]

[Name and Title of Audit Organization Head]

[Address of Audit Organization]

Dear [Name of Audit Organization Head]:

We are providing this letter in connection with your audit of the financial statements of [name of Federal agency], which comprise the balance sheet as of September 30, 20X2 and 20X1, [or the dates of the audited financial statements] and the related statements of net costs, changes in net position, budgetary resources, social insurance [if applicable] and changes in social insurance amounts [if applicable] and custodial activity [if applicable], and the related notes to the financial statements, for the purpose of expressing an opinion on whether the financial statements are presented fairly, in all material respects, in accordance with U.S. generally accepted accounting principles.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

Except where otherwise stated below, immaterial matters less than \$[Insert amount] collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of [date of auditor's report], the following representations made to you during your audits:

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Presentation and Disclosure

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated [insert date of engagement letter] for the preparation and fair presentation of the financial statements in accordance with U.S. Generally Accepted Accounting Principles. [If there are instances of departures from generally accepted accounting principles, this statement should be modified to disclose all known instances of departure.] We have also fulfilled our responsibilities for preparing, measuring, and the fair presentation of RSI, RSSI and supplementary information in accordance with the prescribed guidelines in U.S. generally accepted accounting principles; preparing and presenting other information included with the financial statements and auditor's report, and ensuring the consistency of such other information with the financial statements, RSI, RSSI, and supplementary information.
2. The financial statements are fairly presented in accordance with U.S. Generally Accepted Accounting Principles. The RSI, including the MD&A, and (if any), RSSI, supplementary and other information are fairly presented and are consistent with the financial statements. The RSI, RSSI and supplementary information are measured and presented in accordance with the prescribed guidelines in U.S. Generally Accepted Accounting Principles. The RSI, RSSI, supplementary and other information included with the financial statements and auditor's report are consistent with the financial statements and contain no material misstatements of fact.
3. There are no changes in the methods of measurement or presentation of RSI, RSSI, or supplementary information from the prior year that have not been disclosed, including the reasons for such changes.
4. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable. There are no significant assumptions or interpretations underlying the measurement or presentation of RSI, RSSI, or supplementary information that have not been disclosed.
5. We have made available to you:
 - a. All records, documentation and information that is relevant to the preparation and fair presentation of the financial statements;
 - b. Additional information that you have requested from us for the purpose of the audit, including but not limited to:

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- i. minutes of meetings, or summaries of actions of recent meetings for which minutes have not been prepared, of the Board of Directors [or other similar bodies of those charged with governance];
 - ii. any communications from the Office of Management and Budget concerning noncompliance with, or deficiencies in, financial reporting practices; and
 - c. Unrestricted access and full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.
6. All transactions have been recorded in the accounting records and are reflected in the financial statements.
7. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting specifically related to the financial statements of which we are aware, which could adversely affect the Entity's ability to initiate, authorize, record, process, or report financial data. We have applied the definitions of a "significant deficiency" and a "material weakness" in accordance with the definitions in AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*.
- If there are material weaknesses in internal control over the financial statement reporting process, the foregoing representation should be modified to read: "We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting specific to the financial statements of which we are aware, which could adversely affect the Entity's ability to initiate, authorize, record, process, or report financial data. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting, as those terms are defined in AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*."*
8. There are no uncorrected financial statement misstatements as we have adjusted the financial statements for all misstatements of which you have informed us. [Or] The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of uncorrected misstatements is attached to the representation letter.
9. The [Entity] has satisfactory title to all owned assets, including stewardship property, plant, and equipment. There are no liens or encumbrances on these assets and no assets have been pledged.
10. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities or that we are required to disclose in the financial statements.

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11. There are no guarantees under which the [Entity] is contingently liable that require reporting or disclosure in the financial statements.
12. We have disclosed to you the identity of the entity's related parties and all related parties relationships and transactions of which we are aware.
13. Related party relationships and transactions, as defined in the Statement of Federal Financial Accounting Concepts, No. 2, "Entity and Display," issued by the Federal Accounting Standards Advisory Board, and related accounts receivable or payable, revenues, expenditures, loans, transfers, leasing arrangements, assessments, and guarantees have been appropriately accounted for and disclosed in accordance with the requirements of U.S. generally accepted accounting principles. The Department is subject to financial decisions and management controls of OMB, Treasury, and other Federal Government entities. Therefore, borrowings and the related interest owed to Treasury are reported in the financial statements in accordance with the Treasury Financial Manual.
14. All events subsequent to September 30, 20X2 [or date of latest audited financial statements] and for which U.S. Generally Accepted Accounting Principles requires adjustment or disclosure have been adjusted or disclosed.

Intragovernmental Activities

15. All intra-entity transactions and balances have been appropriately identified and eliminated for financial reporting purposes. All intragovernmental transactions and activities have been appropriately identified, recorded, and disclosed in the financial statements. We have reconciled [or have been unable to reconcile] material intragovernmental transactions and balances with the Federal entity providing the goods or services.

Internal Control

16. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
17. We evaluated the effectiveness of [Entity's] internal control over financial reporting as of September 30, 20X2, based on the criteria established under 31 U.S.C. 3512 (commonly known as the Federal Managers' Financial Integrity Act). The [Entity's] internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with U.S. generally accepted accounting principles. The [Entity's] internal control over financial reporting is designed to reasonably assure that:

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- a. Transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition.
- b. Transactions are executed in accordance with laws governing the use of budget authority; other laws and regulations that could have a direct and material effect on the financial statements, and any other laws and regulations identified in OMB's audit guidance.

[This item is optional if the auditor is not opining on internal control. Also, if the agency bases its internal control assessment on suitable criteria other than 31 U.S.C. 3512(c), (d), cite the criteria used (for example, Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission).]

18. We did not use [auditor's] audit procedures performed during the integrated audit of [Entity's] 20X2 and 20X1 financial statements as part of the basis for our assertion on the effectiveness of the [entity's] internal control over financial reporting. [Delete this item if the auditor is not opining on internal control.]

19. Based on the evaluation in number 16, we conclude that as of September 30, 20X2 [or date of latest audited financial statements], [Entity's] internal control over financial reporting was effective. [Delete this item if the auditor is not opining on internal control.]

[If there are material weaknesses: Based on the evaluation in number 16 we conclude that as of September 30, 20X2, [Entity's] internal control over financial reporting was not effective because of the effects of the material weaknesses discussed below or in an attachment.

20. We have disclosed to you all significant deficiencies in the design or operation of internal control over financial reporting as of September 30, 20X2 [or date of latest audited financial statements], and have separately identified any deficiencies that we believe to be significant deficiencies or material weaknesses. [This item is optional if the auditor is not opining on internal control.]

21. All significant deficiencies and material weaknesses identified by [auditor] in prior audits and communicated to us have been resolved. [Or, indicate any that have not been resolved.]

OR

In prior audits, [auditor] communicated to us no significant deficiencies or material weaknesses.

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22. There have been no changes to internal control over financial reporting subsequent to September 30, 20X2 [or date of latest audited financial statements], or other factors that might significantly affect the effectiveness of internal control over financial reporting. [If there were changes, describe them, including any corrective actions taken with regard to any significant deficiencies or material weaknesses.]

Fraud

23. We acknowledge our responsibility for preventing and detecting fraud, including the design, implementation, and maintenance of programs and controls to prevent and detect fraud; for adopting sound accounting policies; and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statements and to provide reasonable assurance against the possibility of misstatements that are material to the financial statements whether due to error or fraud.

24. We have [no knowledge of any] [disclosed to you all information that we are aware of regarding] fraud or suspected fraud that affects the [name of Entity] involving:

- a. management,
- b. employees who have significant roles in internal control over financial reporting, or
- c. others when the fraud could have a material effect on the financial statements. [If there is knowledge of any instances, describe them.]

25. We have [no knowledge of any] [disclosed to you all information that we are aware of regarding] allegations of fraud, or suspected fraud, (related to the financial statements) affecting the entity received in communicates from employees, former employees, analysts, regulators or others. [If there is knowledge of any such allegations, they should be described.]

26. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

Compliance of Systems with FFMIA

[For CFO Act agencies subject to the Federal Financial Management Improvement Act of 1996 (FFMIA)]

27. We are responsible for implementing and maintaining financial management systems that substantially comply with Federal financial management systems requirements, Federal accounting standards (U.S. Generally Accepted Accounting Principles), and application of the U.S. Government Standard General Ledger at the transaction level.

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28. We have assessed the financial management systems to determine whether they comply with Section 803 (a) of the FFMIA. Our assessment was based on guidance issued by OMB.

29. The financial management systems substantially complied with the Federal financial management systems requirements, Federal accounting standards, and application of the U.S. Government Standard General Ledger (USSGL) at the transaction level as of [date of the latest financial statements].

[If the financial management systems substantially comply with only one or two of the above elements, modify as follows:

As of [date of financial statements], the [Entity's] financial management systems substantially comply with [specify which of the three elements for which there is compliance (e.g., Federal accounting standards and application of the USSGL at the transaction level)], but did not comply with [specify which of the elements for which there was a lack of compliance (e.g., Federal financial management systems requirements)], as described below (or in an enclosure).]

[If the financial management systems do not substantially comply with any of these three elements, use the following paragraph:

As of [date of financial statements], the [Entity's] financial management systems do not comply with the Federal financial management systems requirements, applicable Federal accounting standards, and the United States Standard General Ledger at the transaction level.]

[If there is a lack of compliance with one or more of the three elements, identify all the facts pertaining to the noncompliance, including the nature and extent of the noncompliance and the primary reason or cause of the noncompliance.]

Laws and Regulations

30. We are responsible for understanding and complying with applicable provisions of laws, regulations, contracts, and grant agreements, including those that affect the financial statements.

31. We have identified and disclosed to you all provisions of laws, regulations, contracts and grant agreements that have a direct and material effect on the determination of financial statement amounts [may list provisions of laws, regulations, contracts, and grant agreements].

32. The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. Generally Accepted Accounting Principles.

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33. We have disclosed to you all known instances of noncompliance or suspected noncompliance with applicable provisions of laws, regulations, contracts, and grant agreements whose effects should be considered when preparing financial statements. (OR)[Or] There are no
- a. violations or possible violations of laws or regulations whose effects we should evaluate for disclosure in the financial statements or as a basis for recording a loss contingency,
 - b. material liabilities or gain or loss contingencies that are required to be accrued or disclosed that have not been accrued or disclosed, or
 - c. unasserted claims or assessments that are probable of assertion and must be disclosed that have not been disclosed. [When there is no general counsel and management has not consulted legal counsel regarding contingencies, the auditor should obtain a written representation from management that legal counsel has not been consulted. An example of wording is: “We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements in accordance with SFFAS No. 5. We have not consulted legal counsel concerning litigation, claims, or assessments.” (See FAM 1002.24, and subsequent revisions.)
34. We [have disclosed to you all known actual or possible] [are not aware of any pending or threatened] litigation, claims, and assessments whose effects should be considered when preparing the financial statements [and we have not consulted legal counsel concerning litigation, claims, or assessments]
35. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
36. We are not aware of any violations of the Antideficiency Act that we must report to the Congress and the President (and provide a copy of the report to the Comptroller General) for the year ended September 30, 20x2, (or, we have reported all known violations of the Antideficiency Act) and through the date of this letter.

Statement of Social Insurance and Statement of Changes in Social Insurance Amounts

[For entities presenting a Statement of Social Insurance (SOSI) and a Statement of Changes in Social Insurance Amounts (SCSIA) see AICPA publication SOP 04-1, Auditing the Statement of Social Insurance, (SOP 04-1 § 36) which suggests the following management representations.]

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37. Management is responsible for the assumptions and methods used in the preparation of the SOSI and SCSIA. Management agrees with the actuarial methods and assumptions used by [Entity's] actuary and have no knowledge or belief that would make such methods or assumptions inappropriate in the circumstances. Management did not give any instructions, nor cause any instructions to be given to the [Entity's] actuary with respect to values or amounts derived, and is not aware of any matters that have affected the objectivity of the [Entity's] actuary. Management believes that the actuarial assumptions and methods used to measure the amounts in the SOSI and SCSIA for financial accounting purposes are appropriate in the circumstances.
38. Actuarial assumptions and methods used to measure the amounts in the SOSI and SCSIA for financial accounting and disclosure purposes represent management's best estimates regarding future events based on demographic and economic assumptions and future changes mandated by law.
39. There were no material omissions from the data provided to the [Entity's] actuary for the purpose of determining the actuarial present value of the estimated future income to be received and estimated future expenditures to be paid during the projection period sufficient to illustrate the long-term sustainability of (name of the social insurance program) as of (dates of SOSI presented).
40. The SOSI covers a projection period sufficient to illustrate the long-term sustainability of the social insurance program.
41. Management provided the auditor with all the reports developed by external review groups appointed by the [Entity's] or the program's trustees related to estimates in the SOSI.
42. The following matters relating to the SOSI have been disclosed properly in the notes to the financial statements:
- a. The accumulated excess of all past cash receipts, including interest on investments, over all past cash disbursements within the social insurance program represented by the fund balance at the valuation date.
 - b. An explanation of how the net present value is calculated for the closed group.
 - c. Comparative financial information for items in paragraphs 2a, 2b, 2c, and 2d (1) of SOP 04-1, for the current year and for each of the preceding four years. (Note any preceding years that are unaudited).
 - d. Significant assumptions used in preparing estimates

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43. There have been no changes in (or, changes in the following have been properly reported or disclosed in) the actuarial methods or assumptions used to calculate amounts recorded or disclosed in the financial statements between the valuation dates (for example: of January 1, 201x and January 1, 201x) or changes in the method of collecting data, and the valuation date (for example: of January 1, 201x), and the financial reporting date (of September 30, 201x) or changes in the method of collecting data.

44. There have been no changes in (or, changes in the following have been properly reported or disclosed in) laws and regulations affecting social insurance program income and benefits between the:

- a. valuation dates (for example: January 1, 201x and January 1, 201x)
- b. valuation date (for example: January 1, 201x) and the financial reporting date (of September 30, 201x). Accounting estimates applicable to the financial information of the [Entity] included in the SOSI are based on management's best estimate, after considering past and current events and assumptions about future events.

45. Accounting estimates applicable to the financial information of the [Entity] included in the SOSI are based on management's best estimate, after considering past and current events and assumptions about future events.

Budgetary and Restricted Funds

46. The information presented in the ([Entity's]) Statement of Budgetary Resources agrees with information submitted in its year-end Reports on Budget Execution and Budgetary Resources (SF-133s). The information will be used as input for the fiscal year 201x actual column of the Program and Financing Schedules reported in the fiscal year 20xz Budget of the U.S Government. This information is supported by the related financial records and data.

47. We have disclosed in the financial statements all material dedicated collections as defined by FASAB SFFAS No. 43 and all material restricted funds.

[Signed by Entity Head]

[Signed by Chief Financial Officer]

Enclosure(s)

ILLUSTRATIVE INDEPENDENT AUDITOR'S REPORT ON
CLOSING PACKAGE FINANCIAL STATEMENTS

[Appropriate Addressee]

Report on the Closing Package Financial Statements

We have audited the accompanying Closing Package Financial Statement Report of [name of Federal Agency], which comprise the Closing Package Financial Statement Report – Balance Sheet as of September 30, 20X2 and 20X1, and the related Closing Package Financial Statement Reports – Statement of Net Cost and Statement of Changes in Net Position for the years then ended, and the Closing Package Financial Statement Report – Statement of Social Insurance and Statement of Changes in Social Insurance Amounts (if applicable^{22, 23}), and the accompanying Financial Report (FR) Notes Report (except for the information in the FR Notes Report entitled “Threshold”) for the years then ended; the accompanying Additional Note No. [insert number]; the accompanying Trading Partner Summary Note Report – Balance Sheet as of September 30, 20X2 and 20X1; and the related Trading Partner Summary Note Report – Statement of Net Cost and Statement of Changes in Net Position for the years then ended (hereinafter referred to as the closing package financial statements).

Management's Responsibility for the Closing package Financial Statements

Management is responsible for the preparation and fair presentation of these closing package financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the closing package financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these closing package financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the

²² If the statements of social insurance and statement of changes in social insurance amounts are applicable, the auditor will include the following sentences after the report's opening paragraph's first sentence: “As used in this report, accrual-based financial statements refer to all of the reclassified, consolidated financial statements and notes except for those related to the statements of social insurance and statement of changes in social insurance amounts. The statements of social insurance and statement of changes in social insurance amounts do not interrelate to the accrual-based consolidated financial statements.” Moreover, when opining on the statements of social insurance and statement of changes in social insurance amounts, the audit report will indicate that the: (1) valuation date is January 1 [insert years] for all social insurance programs except the Black Lung program, for which the valuation date is September 30, [insert years] and (2) projection period used for all social insurance programs is 75 years except for the Black Lung program, for which the projections are through 2040, when the program is scheduled to terminate.

²³ The statements of social insurance and statement of changes in social insurance amounts are compiled from information in the FR Notes Report (Note 23 – statements of social insurance and Note 30 – statement of changes in social insurance amounts).

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United States of America; the standards applicable to financial audits contained in U.S. Government Auditing Standards, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. XX-XX, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. XX-XX require that we plan and perform the audit to obtain reasonable assurance about whether the closing package financial statements are free from material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the closing package financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the closing package financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the closing package financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the closing package financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the closing package financial statements referred to above present fairly, in all material respects, the financial position of [name of Federal Agency] as of September 30, [insert year(s)], and its net costs and changes in net position for the years then ended, the statements of social insurance, and statement of changes in social insurance amounts (if applicable) in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

We draw attention to Additional Note No. [insert number] to the closing package financial statements, which describes that the accompanying closing package financial statements were prepared to comply with the requirements of the U.S. Department of the Treasury's *Treasury Financial Manual* (TFM) Volume I, Part 2, Chapter 4700 for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office to use in preparing and auditing the *Financial Report of the U.S. Government*, and are not intended to be a complete presentation of the [consolidated] balance sheets of the [name of Federal Agency] as of September 30, 20X2 and 20X1, and the related [consolidated] statements of net cost, [and] changes in net position, combined statements of budgetary resources [and custodial activity], statements of social insurance (if

**ILLUSTRATIVE INDEPENDENT AUDITOR'S REPORT
ON CLOSING PACKAGE FINANCIAL STATEMENTS**

applicable), and statement of changes in social insurance amounts (if applicable) (hereinafter referred to as “general-purpose financial statements”) for the years then ended. Our opinion is not modified with respect to this matter.

Other Matters

Opinion on the General-Purpose Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. XX-XX the general-purpose financial statements of [name of Federal agency] as of September 30, 20X2 and 20X1, and our report thereon, dated November 15, 20X2, expressed an unmodified opinion on those financial statements.

Required Supplementary Information and Required Supplementary Stewardship Information

U.S. generally accepted accounting principles require that the information in Other Data Report Nos. 1, 3 through 9, 14, and 17, except for the information included in the Other Text Data of Other Data Report No. 1 and the information in the Other Data Report Nos. [insert numbers] entitled “Threshold”, (which are discussed below) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the closing package financial statements, and other knowledge we obtained during our audits of the closing package financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted [describe the missing required supplementary information²⁴] that U.S. generally accepted accounting principles require to be presented to supplement the closing package financial statements. Such missing information, although not a part of the closing package financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an

²⁴ Examples of information that could be missing include Management’s Discussion and Analysis and the combining Statement of Budgetary Resources.

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essential part of financial reporting for placing the general-purpose financial statements in an appropriate operational, economic, or historical context. Our opinion on the closing package financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion on the closing package financial statements as a whole. The information in the sections included in the Other Data Report Nos. 2, 10 through 13, 15, and 16; the information included in the Other Text Data of Other Data Report No. 1; the information entitled "Threshold" in Other Data Report Nos. [insert numbers] and the information in the sections entitled "Threshold" in FR Notes Report Nos. [insert numbers]; the information in the Closing Package Line Reclassification Summary Report – Balance Sheet; the information in the Closing Package Line Reclassification Summary Reports – Statement of Net Cost and Statement of Changes in Net Position; and the information in the Closing Package Line Reclassification Summary Report – Custodial Activity are presented for purposes of additional analysis in accordance with *TFM Chapter 4700* and are not a required part of the closing package financial statements. Such information has not been subjected to the auditing procedures applied in the audits of the closing package financial statements and, accordingly, we do not express an opinion or provide any assurances on it.

Restriction on Use of the Report on the Closing Package Financial Statements

This report is intended solely for the information and use of the management of the [name of Federal Agency], the U.S. Department of the Treasury, OMB, and the U.S. Government Accountability Office in connection with the preparation and audit of the Financial Report of the U.S. Government and is not intended to be and should not be used by anyone other than these specified parties.

Other Reporting Required by Government Auditing Standards

In accordance with U.S. *Government Auditing Standards* and OMB Bulletin No. XX-XX, we have also issued reports²⁵ dated [insert date] on our consideration of [name of Federal Agency]'s internal control over financial reporting and the results of our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters that are required to be reported under *Government Auditing Standards*. Those reports are an integral part of an audit performed in accordance with U.S. *Government Auditing Standards* and OMB Bulletin No. XX-XX in considering

²⁵ If an agency's auditor issues a combined report that includes the audit report on the general-purpose financial statements, the report on internal control over financial reporting and compliance with applicable provisions of laws, regulations, contracts, and grant agreements, the language in this section should be modified accordingly.

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the [name of Federal Agency]'s internal control and compliance, and should be read in conjunction with this report in considering the results of our audits of the closing package financial statements.

In our fiscal year 20X3 audit of the general-purpose financial statements of the [name of Federal Agency], we noted the following material weaknesses, significant deficiencies, and/or compliance and other matters.²⁶

Internal Control over Financial Reporting Specific to the Closing Package Financial Statements²⁷

In planning and performing our audit of the closing package financial statements as of and for the year ended September 30, 20X3 we also considered [name of Federal Agency]'s internal control over the financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the closing package financial statements, but not for the purpose of expressing an opinion of the effectiveness of [name of Federal Agency]'s internal control. Accordingly, we do not express an opinion on the effectiveness of [name of Federal Agency]'s internal control.

²⁶ Provide a description of material weaknesses, significant deficiencies, material non-compliance and/or other matters identified during the general-purpose financial statement audit.

²⁷ This illustrative report is appropriate if a material weakness is reported in the report on internal control over financial reporting. When a significant deficiency is reported or no deficiencies are reported, the first paragraph under the heading Internal Control over Financial Reporting Specific to the Closing Package Financial Statements should remain and the following language should be used to replace the remainder of the section:

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control for the closing package financial statements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. [ADD THE FOLLOWING IF SIGNIFICANT DEFICIENCIES ARE IDENTIFIED.] We did identify certain deficiencies in internal control, described the accompanying [include the title of the schedule in which the findings are reported (e.g. schedule of findings and responses or schedule of findings)] that we consider to be significant deficiencies. (List the reference numbers of the related findings, for example, 20X2-3 and 20X2-4.)

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Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying [*include the title of the schedule in which the findings are reported (e.g., schedule of findings and responses or schedule of findings and questioned costs)*], we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in their normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying [*include the title of the schedule in which the findings are reported (e.g., schedule of findings and responses or schedule of findings)*] to be material weaknesses. [*List the reference numbers of the related findings, for example, 20X2-1, 20X2-2*].

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit the attention by those charged with governance. We consider the deficiencies described in the accompanying [*include the title of the schedule in which the findings are reported (e.g. schedule of findings and responses or schedule of findings)*] to be significant deficiencies. (*List the reference numbers of the related findings, for example, 20X2-3 and 20X2-4.*)

Compliance and Other Matters Specific to the Closing Package Financial Statements

As part of obtaining reasonable assurance about whether [name of Federal Agency]'s closing package financial statements are free from material misstatement, we also performed tests of its compliance with certain provisions of *TFM Chapter 4700*. However, providing an opinion on compliance with those provisions was not an objective of our audit of the closing package financial statements, and accordingly, we do not express such an opinion. The results of our tests of compliance with *TFM Chapter 4700* disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying²⁸ [*include the title of the schedule in which the findings are reported (e.g., schedule of findings and responses or*

²⁸ *If noncompliance is not identified, replace with:* The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* and OMB Bulletin No. XX-XX.

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schedule of findings and questioned costs)] as items [*list the reference numbers of the related findings, for example, 20X2-2 and 20X2-5*].

[Name of Federal Agency]'s Response to Findings

[Name of Federal Agency]'s response to the findings identified in our audit are described in the accompanying [include the title of the schedule in which the findings are reported] (or were previously described in the section [include header] above). [Name of Federal Agency]'s response was not subjected to the auditing procedures applied in the audit of the closing package financial statements and, accordingly, we express no opinion on it.

Purpose of the Other Reporting Required by Government Auditing Standards

The purpose of the communication provided in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the agency's internal control or on compliance. This communication is an integral part of an audit performed in accordance with U.S. generally accepted government auditing standards in considering internal control and compliance with provisions of laws, regulations, contracts, and grant agreements that have a material effect on the closing package financial statements. Accordingly, this communication is not suitable for any other purpose.

[*Signature*]

[Auditor's city and state]

[*Date*]

REQUIRED TFM NOTE TO THE CLOSING PACKAGE FINANCIAL STATEMENTS

Notes to the Closing Package Financial Statements

Note X – Closing Package Financial Statement Requirements

The Budget and Accounting Procedures Act of 1950 allows the Secretary of the Treasury to stipulate the format and requirements of executive agencies to furnish financial and operational information to the President and the Congress to comply with the Government Management Reform Act of 1994 (GMRA) (Pub. L. No. 103-356), which requires the Secretary of the Treasury to prepare and submit annual audited financial statements of the executive branch. The Secretary of the Treasury developed guidance in the U.S. Department of the Treasury's *Treasury Financial Manual* (TFM) Volume I, Part 2, Chapter 4700 to provide agencies with instructions to meet the requirements of GMRA. The TFM Chapter 4700 requires agencies to:

1. Reclassify all line items and amounts on the comparative audited consolidated, department-level balance sheets, statement of net cost/income statement, statement of changes in net position, statement of social insurance, statements of changes in social insurance amounts, and statement or note on custodial activity, if applicable, to the closing package financial statements;
2. List closing package financial statement line item amounts identified as Federal by trading partner and amount;
3. Report notes information that is based on the Reclassified Balance Sheet line items and other notes information required to meet FASAB standards; and
4. Report other data information that is not based on the Reclassified Balance Sheet line items and other data noted information required to meet FASAB standards.