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OFFICE OF MANAGEMENT AND BUDGET  
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THE DIRECTOR

OMB BULLETIN 15-02

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

SUBJECT: 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). This Bulletin reflects recent changes in *U.S. Auditing Standards – AICPA (Clarified)*, identified as AU-C, and the 2011 revision of *Government Auditing Standards*. This Bulletin also clarifies auditor's responsibilities regarding compliance with provisions of applicable laws, regulations, contracts, and grant agreements and other requirements related to the audit of the consolidated financial statements of the U.S. government.
- 3. Rescissions:** The provisions of this Bulletin supersede the provisions in OMB Bulletin 14-02, *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 [https://www.whitehouse.gov/omb/bulletins\\_default/](https://www.whitehouse.gov/omb/bulletins_default/).

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## SUMMARY OF SIGNIFICANT CHANGES

SECTION TITLE	PARAGRAPH NUMBER(S)	CHANGES
<b>Definitions</b>	<b>2.12</b>	<ul style="list-style-type: none"> <li>Internal Control - clarified the definition of internal control over financial reporting related to compliance with laws, regulations, contracts and grant agreements.</li> </ul>
<b>Scope of the Audit</b>	<b>6.11 &amp; 6.17</b>	<ul style="list-style-type: none"> <li>Clarified the auditor's responsibility regarding compliance with provisions of applicable laws, regulations, contracts, and grant agreements.</li> <li>Clarified the coordination and communication requirements of AU-C 600 in regards to GAO's role as group auditor of the consolidated financial statements of the U.S. government and the OIG/IPA's role as a component auditor.</li> </ul>
<b>Reporting</b>	<b>7.17, 7.18, &amp; 7.24</b>	<ul style="list-style-type: none"> <li>Clarified the internal control report requirements to align with the 2011 revision of <i>Government Auditing Standards</i>, AU-C 265 and AU-C 315.</li> <li>Updated to align with OMB Circular A-123, Appendix D.</li> </ul>
<b>Audit of the Closing Package Financial Statements</b>	<b>13.2 – 13.4 &amp; 13.34</b>	<ul style="list-style-type: none"> <li>Clarified additional Note X.</li> <li>Included language for entities with a year-end other than September 30.</li> <li>Deleted discussion of the IGT agreed upon procedures.</li> </ul>
<b>Appendices</b>	<b>E,F,G&amp;H</b>	<ul style="list-style-type: none"> <li>Updated management representations.</li> <li>Updated illustrative auditor's report on closing package financial statements.</li> <li>Clarified required TFM Note.</li> <li>Deleted the General Laws Appendix (Formerly Appendix E)</li> </ul>

# 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”<sup>1</sup> will consist of:

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

Basic Statements. The basic statements 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

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<sup>1</sup> U.S. GAAP, as promulgated by FASAB, prescribes the Annual Financial Statements. OMB provides the form and content of such statements based upon the requirements of U.S. GAAP in the A-136.

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). 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*.

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 comply substantially with:** Federal financial management systems requirements, applicable Federal accounting standards, and the United States Government 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, including components listed in Appendix B. The components of the CFO Act agencies (the 24 executive departments and agencies listed in Appendix A) are not required to report separately on compliance with FFMIA; auditors of separately issued component reports are not required to separately report on whether the component's financial management systems comply substantially 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 and Pub. L. No. 113-283)** 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 their Offices of Inspectors General or independent auditors, as applicable, are required to annually report on the adequacy and effectiveness of information security policies, procedures, and practices, including any "major information security incident" or "related sets of incidents."

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.

**2.8 Government Accountability Office/President’s Council on Integrity and Efficiency<sup>2</sup> Financial Audit Manual (GAO/PCIE FAM)** provides methodology and guidance for performing audits of 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 Government Accountability Office (GAO), 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. Beginning with fiscal year 2016, the objective related to reliability of financial reporting will change to “reliability of reporting for internal and external use”.<sup>3</sup> Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include controls relating to 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 (A-123)*, and 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 laws, regulations, contracts, and grant agreements - transactions are executed in accordance with provisions of applicable laws, including those governing the

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<sup>2</sup> 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).

<sup>3</sup> GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C., September 2014).

use of budget authority, regulations, contracts, and grant agreements noncompliance with which could have a 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.<sup>4</sup> The MD&A is included in each annual financial report (PAR or AFR) 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 possibility<sup>5</sup> 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.

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.<sup>6</sup>

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.fiscal.treasury.gov/fsreports/ref/ussgl/ussgl\\_home.htm](http://www.fiscal.treasury.gov/fsreports/ref/ussgl/ussgl_home.htm)).

### SECTION 3: FREQUENCY OF AUDIT

3.1 Audits will be performed annually.

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<sup>4</sup> Statement of Federal Financial Accounting Standards (SFFAS) No. 15, *Management's Discussion and Analysis*.

<sup>5</sup> 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*.

<sup>6</sup> 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.



## 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 agencies and government corporations 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.

5.2 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.<sup>7</sup> 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 provisions of 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.<sup>8</sup>

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<sup>7</sup> GAGAS 1.17.

<sup>8</sup> AICPA AU-C 265, *Communicating Internal Control Related Matters Identified in an Audit*.

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.<sup>9</sup> 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 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 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,<sup>10</sup> 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, Fiscal Service, 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 (in accordance with SFFAS 21), at a minimum, in the agency’s restatement note: (1) the nature and cause(s) of the misstatement(s) that led to the

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<sup>9</sup> GAGAS 4.28 and 4.29.

<sup>10</sup> Imminent means within 90 calendar days of the subsequent-period subsequent financial statements planned issue date.

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 include an emphasis-of-matter paragraph (in accordance with AU-C 708) in the auditor's report as listed in Paragraph 7.10 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 (in accordance with SFFAS 21), 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).

5.8 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 7.11 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, Fiscal Service, 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 appropriate 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. In addition to parent-child transfers, there may be other situations where such coordination is necessary.

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. 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 The auditor will perform tests of compliance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in the financial statements, and perform certain other limited procedures as described in AU-C 250.14-.16, *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 to determine whether the entity's financial management systems comply substantially with FFMIA Section 803(a) requirements. This provision only applies to CFO Act agencies (the 24 executive departments and agencies 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 CFO Act agency components, including the Government corporations, are not required to report separately on compliance with FFMIA; further, auditors of separately issued component reports are not required to separately report on whether the component's financial management systems comply substantially 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. 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 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 required 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 Organization<sup>11</sup>**

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

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

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;<sup>12</sup>
- 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 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 control objectives specified in the description 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 provisions of 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.

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<sup>12</sup> These reports are also referred to as Statement on Standards for Attestation Engagements (SSAE) 16 reports, which are prepared in accordance with the guidance in AT 801, *Reporting on Controls at a Service Organization*.



## 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 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*; AU-C 720, *Other Information in Documents Containing Audited Financial Statements*; AU-C 730, *Required Supplementary Information*; chapter 4 of the 2011 revision of *Government Auditing Standards*, and the AICPA Audit Guide – *Government Auditing Standards and Circular A-133 Audits* 4.48 and 4.88. (Illustrative reports in FAM 595A are currently being updated for the clarified standards.)

### **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 qualified 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.

7.9 If the auditor considers it necessary to draw users' attention to any matter other than those 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 other-matter paragraph in the auditor's report. For example, the auditor may choose to include an other-matter paragraph to discuss certain situations related to prior period financial statements that have been audited by a predecessor auditor or have not been audited.

### **Reporting on Restatement of Previously-Issued Financial Statements**

7.10 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 should refer to AU-C 560, 705, 706, and 708). 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 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 for the correction of a material misstatement in the respective period;
- 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 financial statements that discusses the restatement (see Paragraphs 5.6 and 5.7); 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.

7.11 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 (the auditor should refer to AU-C 560, 705, 706, and 708). 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; 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**

7.12 When providing an opinion 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*.

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

7.14 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 material inconsistencies with the audited financial statements. For example, the auditor should determine whether the information in the Summary of Management Assurances contains any material inconsistencies with the audited financial statements.

7.15 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**

7.16 If not providing an opinion 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*)

7.17 Auditors should include in the auditor's report on the financial statements or in a separate report identified significant deficiencies and material weaknesses in internal control over financial reporting, a description of the significant deficiencies and material weaknesses and an explanation of their potential effects, and 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.<sup>13</sup> In the event that no material weaknesses were identified during the audit, the report 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)

7.18 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. If the auditor issues a separate report on internal control over financial reporting, they should follow GAGAS 4.22

7.19 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*).

7.20 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 Laws, Regulations, Contracts, and Grant Agreements**

7.21 A report on the reporting entity's compliance with laws, regulations, contracts, and grant agreements should include noncompliance with provisions of applicable 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 auditor's report on the financial statements 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 provisions of 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

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<sup>13</sup> GAGAS 4.19 and 4.20

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 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 provisions of 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 provisions of applicable laws, regulations, contracts, and grant agreements. If the auditor issues a separate report on compliance with provisions of laws, regulations, contracts, and grant agreements, they should follow GAGAS 4.22.

### **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 substantially with Section 803(a), which has three requirements. On September 20, 2013, OMB released Circular No. A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*. When testing a reporting entity's compliance with FFMIA, the auditor should refer to the Circular.

(See <http://www.whitehouse.gov/sites/default/files/omb/memoranda/2013/m-13-23.pdf>)

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 comply substantially with any of the three Section 803(a) requirements. If the auditor's tests disclosed no instances in which the reporting entity's systems did not comply substantially with all three Section 803(a) requirements, a single statement to this effect is sufficient. Where tests disclose that the reporting entity's systems did not comply substantially with one or more of the three Section 803(a) requirements, the auditor's mandatory report on compliance, (or an accompanying schedule that is referenced in the compliance report) should disclose which of the three Section 803(a) requirements for which the reporting entity's systems did not substantially comply and 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) and, as required by FFMIA:

- Identify the entity or organization responsible for the financial management systems that were found not to comply substantially 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 and the time frames to implement such actions.

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

7.25 The A-123 implements the requirements of FMFIA. The A-123 contains Appendix A,<sup>14</sup> which provides an assessment process that management should implement in order to properly evaluate and improve internal control 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* (<http://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 constitutes 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.

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.

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<sup>14</sup> The requirements of Appendix A are applicable to the CFO Act agencies.

- 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.

### **Status/Comments/Distribution**

7.27 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).

7.28 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**

7.29 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 audited entity will 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, the auditor will make the disclosure.

7.30 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).

7.31 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.5, 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. To support the audit of the consolidated financial statements of the U.S. Government, agencies are to provide the information requested by GAO.

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.<sup>15</sup>

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

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<sup>15</sup> 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.



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 F 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 the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) to prepare the year-end SF 133s, *Reports on Budget Execution and Budgetary Resources*. Management will use the following sample representation:

*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 20X1 actual column of the Program and Financing Schedules reported in the fiscal year 20X3 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. See AU-C 580, *Written Representations*, paragraphs .22 to .24,

8.8 Notification must be provided to OMB, Fiscal Service, 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, Section V.5, *Written Representation from Management*.

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 E 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.<sup>16</sup> (See the GAO/PCIE FAM Section 1002B, *Example Legal Letter Request*, and subsequent revisions to include updated requirements related to AU-C 501, 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.4, 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* (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](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 TFM Chapter 4700, *Reporting and Submission Dates*.

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), DOJ and GAO no later than the dates established in the TFM Chapter 4700, *Reporting and Submission Dates*, *Dates*. The OIG will inform the Fiscal Service, via email, of any subsequent changes in the likelihood or amount of loss for cases that arose 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

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<sup>16</sup> 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.

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 auditor responsible 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 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 Nicole.Brown-Fennell@opm.gov, with a cc: to [FinancialBALs@opm.gov](mailto:FinancialBALs@opm.gov).

U.S. Office of Personnel Management  
Office of Inspector General  
Room 6400  
1900 E Street, N.W.  
Washington, DC 20415  
Attention: Nicole E. Brown-Fennell

## **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* and subsequent revisions, 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 submitted via Governmentwide Financial Report System (GFRS) by the significant entities.<sup>17</sup>

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<sup>18</sup>; 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 G.

13.4 Significant entities will perform audits annually and on comparative statements. Significant entities with a year-end other than September 30 are limited to audit assurance on material line items which the entities contribute. Converting agencies should provide a cross walk with a 12-month set of fiscal year financial statements to Fiscal Service. These agencies may refer to the *TFM* 4705.25 and 4705.45 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.

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<sup>17</sup> The significant entities to the Financial Report of the U.S. Government (FR) are identified in the Department of the Treasury's *Treasury Financial Manual* (TFM) Volume I, Part 2, Chapter 4700 and the OMB Circular A-136. All remaining agencies should provide adjusted trial balance data in GTAS and should complete GFRS FR Notes and Other FR Data.

<sup>18</sup> When an incomplete presentation of financial statements exists, management is required to disclose the purpose of the financial statements. The purpose of the closing package financial statements is detailed within Treasury's TFM and described within a footnote to the closing package financial statements. Management can make this disclosure either within the summary of significant accounting policies, or as a standalone footnote. Because the number of footnotes can change each year, this footnote is being referred to as Additional Note Number X.

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” 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*.

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 have a direct effect on the determination of material amounts and disclosures in the closing package financial statements, and perform certain other limited procedures as described in AU-C 250.14-.16. (See also GAGAS 4.06 for additional requirements pertaining to the consideration of compliance with provisions of contracts and grant agreements). 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 E and Appendix F).

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. To support the audit of the consolidated financial statements of the U.S. Government, agencies are to provide the information requested by GAO.

13.13 The management representations and related summary of uncorrected misstatements will be submitted to Fiscal Service, GAO, and OMB by the due dates listed in *TFM Chapter 4700, Reporting and Submission Dates*.

### **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 Fiscal Service, GAO and OMB no later than the date specified in A-136, Section I. 5, *Submission Deadlines* and the *TFM Chapter 4700, Reporting and Submission Dates*. 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 G). 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 H). This information may be included within the summary of significant accounting policies note disclosure or presented as a separate note. Auditors should also 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*, as applicable.

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 qualified 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 (required supplementary information, required supplementary stewardship information, and other information), 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 G).

### **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 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**

13.24 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.

13.25 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*.

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

13.27 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 reportable instances of noncompliance identified in the audit of the general-purpose financial statements.

### **Comments/Distribution**

13.28 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.

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

13.30 Copies of the audit report(s) will be distributed to the head of the executive department or agency and simultaneously submitted to the Fiscal Service, OMB, and GAO, no later than the date specified in the A-136, Section I.5, *Submission Deadlines* and the *TFM Chapter 4700, Reporting and Submission Dates*.

### **Communicating Other Deficiencies**

13.31 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**

13.32 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.

## **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 E: Illustrative Written Representations From Management for the Closing Package Financial Statements

Appendix F: Illustrative Written Representations From Management for the General-Purpose Financial Statements

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Appendix H: 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 STATEMENTS<sup>19</sup>**

Department of Agriculture

Food and Nutrition 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

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<sup>19</sup> 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 Financial Protection Bureau  
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  
Institute of American Indian and Alaska Native Culture and Arts Development

**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 L. 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  
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 Art  
SI/Woodrow Wilson International Center for Scholars  
United States 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  
Resolution Funding Corporation  
Saint Lawrence Seaway Development Corporation  
Tennessee Valley Authority  
Valles Caldera Trust



**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 of [name of Entity], which comprise the Closing Package Financial Statement Report – Balance Sheet, 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”); 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 present fairly, in all material respects, the financial position, net costs and changes in net position of the [Entity], statement of social insurance, and statements of changes in social insurance amounts (if applicable) 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 [Entity] 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.

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

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 closing package financial statements. Such quantitative materiality considerations do not apply to representations that are not directly related to amounts included in the closing package financial statements, required supplementary information (RSI)<sup>20</sup> [if applicable], required supplementary stewardship information (RSSI)<sup>21</sup> [if applicable], and other information<sup>22</sup> [if applicable].

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.<sup>23</sup>

We confirm, as of [date of auditor's report] the following representations made to you during your audits. These representations pertain to both years' closing package financial statements, and update the representations we provided in the prior year:

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.
3. 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 (U.S. GAAP) and the presentation requirements set forth in the TFM, Volume 1, Part 2, Chapter 4700. The closing package financial statements are fairly presented in accordance with U.S. GAAP. [If there are instances of departures from generally accepted accounting principles, this statement should be modified to disclose all known instances of departure.]

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<sup>20</sup> RSI consists of [insert description].

<sup>21</sup> RSSI consists of [insert description].

<sup>22</sup> Other Information consists of [insert description].

<sup>23</sup> 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.

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

4. We have fulfilled our responsibilities for the measurement, preparation, and presentation of the RSI and RSSI, which are included within Other Data Report Nos. 1, 3 through 9, 14, 17, and 18 except for the information included in the Other Data Info Section C – Tax Gap of Other Data Report No. 1, Other Text Data of Other Data Report No. 1, and the information in the Other Data Report Nos. [insert numbers] entitled “Threshold”, in accordance with the prescribed guidelines in U.S. GAAP and:
  - a. The RSI and RSSI are measured and presented in accordance with the prescribed guidelines in U.S. GAAP and contain no material misstatements of fact.
  - b. There are no changes in the methods of measurement or presentation of the RSI and RSSI from the prior year that have not been disclosed to you, including the reasons for such changes. [If there were no such changes, the underlined text should be omitted].
  - c. There are no significant assumptions or interpretations underlying the measurement or presentation of the RSI and RSSI that have not been disclosed to you. [If there are no assumptions or interpretations, the underlined text should be omitted.]
  - d. This closing package submission is in accordance with Treasury guidance for the compilation of the Financial Report of the government as a whole. In accordance with that guidance we have omitted the Combining Statement of Budgetary Resources and Management’s Discussion and Analysis that U.S. generally accepted accounting principles require to be presented to supplement the closing package financial statements.
  
5. We have fulfilled our responsibilities for the preparation and presentation of the Other Information (OI) included in documents containing the audited financial statements and auditor’s report, and for ensuring the consistency of that information with the audited financial statements, RSI, and RSSI.
  - a. The OI included in the document containing the audited financial statements and auditor’s report is consistent with the closing package financial statements, RSI and RSSI, and contains no material misstatement of fact.
  - b. There are no changes in the methods of measurement or presentation of the OI from the prior year that have not been disclosed to you, including the reasons for such changes. (If there were no such changes, the underlined text should be omitted).
  - c. There are no significant assumptions or interpretations underlying the measurement or presentation of the OI that have not been disclosed to you. (If there are no assumptions or interpretations, the underlined text should be omitted.)
  
6. We acknowledge our responsibility for establishing and maintaining effective internal control over financial reporting. We are responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of closing package financial statements that are free from material misstatement, whether due to fraud or error and for complying with the requirements set forth in TFM Chapter 4700.

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

7. We have fulfilled our responsibility for maintaining effective internal control over financial reporting. We have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of closing package financial statements that are free from material misstatement, whether due to fraud or error and for complying with the requirements set forth in TFM Chapter 4700.
8. We have provided you with all relevant information and access, as agreed upon in the terms of the audit engagement letter, including:
  - a. Access to all information of which we are aware that is relevant to the preparation and fair presentation of the closing package financial statements, such as records, documentation, and other matters;
  - b. Additional information that you have requested from us for the purpose of the audit including, but not limited to, any communications from the Office of Management and Budget (OMB) concerning noncompliance with, or deficiencies in, financial reporting practices; and
  - c. Unrestricted access and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.
9. Except as disclosed to you in writing (omit if no communications), there have been no, communications from regulatory/oversight agencies (such as OMB and GAO), other governmental entities or agencies (such as the Fiscal Service), 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.
10. All transactions have been recorded in the accounting records and reflected in the closing package financial statements.
11. 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 that existed at any time during the years ended [date of most recent closing package financial statement presented] and [date of prior year closing package financial statement presented].]

*If there are deficiencies 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 that existed at any time during the years ended [date of the most recent closing package financial statement presented] and [date of prior year closing package financial statement presented], and indicated which deficiencies were corrected by [date of most recent closing package financial statement presented]. We have separately disclosed to*

**ILLUSTRATIVE WRITTEN REPRESENTATIONS FROM MANAGEMENT  
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you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting.

12. 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.
13. We have [no knowledge of any] OR [disclosed to you all information that we are aware of regarding] fraud or suspected fraud affecting the [Entity's] closing package financial statements, RSI, RSSI and OI involving management or employees who have significant roles in internal control over financial reporting. [If there is knowledge of any instances, describe them.]
14. We have [no knowledge of any] OR [disclosed to you all information that we are aware of regarding] fraud or suspected fraud affecting the [Entity's] closing package financial statements, RSI, and RSSI involving others where the fraud could have a material effect on the closing package financial statements, RSI, and RSSI.
15. We have [no knowledge of any] OR [disclosed to you all information that we are aware of regarding] allegations of fraud or suspected fraud affecting the [Entity's] closing package financial statements, RSI, and RSSI communicated by employees, former employees, or others.
16. We have no knowledge of any officer 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.
17. There are no instances of non-compliance or suspected non-compliance with the required provisions of *TFM Chapter 4700*. OR [We have disclosed to you all instances of non-compliance or suspected non-compliance with the required provisions of *TFM Chapter 4700*.]
18. There are no uncorrected closing package misstatements as we have corrected the closing package financial statements for any misstatements you have identified during the audit and communicated to us. OR [The effects of uncorrected closing package financial statements misstatements in the attached summary are immaterial, both individually and in the aggregate, to the closing package financial statements taken as a whole.] [Note: As discussed in AU-C 580.A12, if management believes that certain of the identified items are not misstatements, management's belief may be acknowledged by adding to the representation, for example, "We believe that items XX and XX do not constitute misstatements because (description of reason)."]

[Signed by Entity 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 integrated [omit if not expressing an opinion on the effectiveness of internal control over financial reporting] audits of the balance sheets of [name of Entity] 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, and custodial activity [if applicable] for the years then ended, and [if applicable] the [years presented] statements of social insurance (SOSI) and the statements of changes in social insurance amounts (SCSIA) for the years ended [dates presented], and the related notes to the financial statements, hereinafter referred to as the "financial statements."

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. Such quantitative materiality considerations do not apply to representations that are not directly related to amounts included in the financial statements, required supplementary information (RSI)<sup>24</sup> [if applicable], required supplementary stewardship information (RSSI)<sup>25</sup> [if applicable], and other information<sup>26</sup> [if applicable].

We confirm, as of [date of auditor's report], the following representations made to you during your audits. These representations pertain to both years' financial statements, and update the representations we provided in the prior year.

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<sup>24</sup> RSI consists of [insert description].

<sup>25</sup> RSSI consists of [insert description].

<sup>26</sup> Other information consists of [insert description].

**ILLUSTRATIVE WRITTEN REPRESENTATIONS FROM MANAGEMENT  
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**Financial Statements, Supplementary Information, RSI, RSSI, and Other Information**

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 (GAAP), issued by [name of standard setter, such as Federal Accounting Standards Advisory Board (FASAB) or Financial Accounting Standards Board (FASB)]. The financial statements are fairly presented in accordance with U.S. GAAP. (If there are instances of departures from generally accepted accounting principles, this statement should be modified to disclose all known instances of departure.)
2. We have fulfilled our responsibility for the presentation of supplementary information in accordance with the applicable criteria and prescribed guidelines and: [Delete this item if the auditor is not engaged to report on supplementary information.]
  - a. The supplementary information is fairly presented in accordance with the applicable criteria and prescribed guidelines.
  - b. There are no changes in the methods of measurement or presentation of the supplementary information from the prior year that have not been disclosed to you, including the reasons for such changes. (If there were no such changes, the underlined text should be omitted.)
  - c. There are no significant assumptions or interpretations underlying the measurement or presentation of the supplementary information that have not been disclosed to you. (If there are no assumptions or interpretations, the underlined text should be omitted.)
3. [if applicable] We have fulfilled our responsibilities for the measurement, preparation, and presentation of the RSI and RSSI in accordance with prescribed guidelines established in U.S. GAAP and:
  - a. The RSI and RSSI are measured and presented in accordance with prescribed guidelines in U.S. GAAP and are consistent with the financial statements and contain no material misstatement of fact.
  - b. There are no changes in the methods of measurement or presentation of the RSI and RSSI from the prior year that have not been disclosed to you, including the reasons for such changes. (If there were no such changes, the underlined text should be omitted.)
  - c. There are no significant assumptions or interpretations underlying the measurement or presentation of the RSI and RSSI that have not been disclosed to you. (If there are no assumptions or interpretations, the underlined text should be omitted.)

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4. [if applicable] We have fulfilled our responsibilities for the preparation and presentation of the Other Information (OI) included in documents containing the audited financial statements and auditor's report, and for ensuring the consistency of that information with the audited financial statements, RSI, and RSSI.
  - a. The OI included in the document containing the audited financial statements and auditor's report is consistent with the financial statements, RSI, and RSSI and contains no material misstatement of fact.
  - b. There are no changes in the methods of measurement or presentation of the OI from the prior year that have not been disclosed to you, including the reasons for such changes. (If there were no such changes, the underlined text should be omitted.)
  - c. There are no significant assumptions or interpretations underlying the measurement or presentation of the OI that have not been disclosed to you. (If there are no assumptions or interpretations, the underlined text should be omitted.)
5. Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
6. We have provided you with all relevant information and access, as agreed upon in the terms of the audit engagement letter, including:
  - a. access to all information of which we are aware that is relevant to the preparation and fair presentation of the financial statements, such as records, documentation, and other matters;
  - b. additional information that you have requested from us for the purpose of the audit, including, but not limited to:
    - i. Minutes of meetings, or summaries of actions of recent meetings for which minutes have 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 (OMB) concerning noncompliance with, or deficiencies in, financial reporting practices;
  - c. Unrestricted access to and full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence; and
  - d. All reports obtained from the [Entity's] service organizations.
7. Except as disclosed to you in writing, there have been no:
  - a. Circumstances that have resulted in communications from the [Entity's] legal counsel reporting evidence of a material violation of law or breach of fiduciary duty, or similar violations by the [Entity] of any agent thereof.



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- b. Communications from regulatory/oversight agencies (such as OMB and GAO), other government entities or agencies, 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 financial statements, supplementary information, RSI, RSSI, and OI.
8. All transactions have been recorded in the accounting records and are reflected in the financial statements.
9. There are no uncorrected misstatements in the financial statements, as we have corrected the financial statements for any misstatements you have identified during the audit and communicated to us. (OR) The effects of uncorrected financial statement misstatements in the attached summary are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. (Note: As discussed in AU-C 580.A12, if management believes that certain of the identified items are not misstatements, management's belief may be acknowledged by adding to the representation, for example, "We believe that items XX and XX do not constitute misstatements because (description of reason).")
10. The [Entity] has satisfactory title to all owned assets, including stewardship land and heritage assets [if applicable]. There are no liens or encumbrances on these assets and no assets have been pledged.
11. We have no plans or intentions that may materially affect the recognition, measurement, presentation, disclosure, or classification of assets and liabilities.
12. We have disclosed to you the identities of the [Entity's] related parties and all the related party relationships and transactions of which we are aware.
13. Related party relationships and transactions have been appropriately accounted for and disclosed in the financial statements in accordance with U.S. GAAP and do not prevent the financial statements from achieving fair presentation.
14. Guarantees under which the [Entity] is contingently liable have been properly reported or disclosed. OR [There are no guarantees under which the [Entity] is contingently liable that require reporting or disclosure in the financial statements.]
15. We have disclosed to you all known actual or possible litigation, claims, and assessments whose effects should be considered when preparing the financial statements. OR [We are not aware of any pending or threatened litigation and claims whose effects should be considered when preparing the financial statements.]

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16. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in the financial statements in accordance with U.S. GAAP [or other applicable financial reporting framework].
17. All events or transactions subsequent to September 30, 20X2 [or date of latest audited financial statements] and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed in the financial statements.
18. We have properly recorded or disclosed in the financial statements changes in accounting principle affecting consistency of the financial statements between the periods presented. OR [There are no changes in accounting principle affecting consistency of the financial statements between the periods presented.]

**Intragovernmental Activities**

19. All intra-entity transactions and balances have been appropriately identified and eliminated for financial reporting purposes [if applicable]. 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 trading partners.

**Internal Control**

20. We acknowledge our responsibility for maintaining effective internal control over financial reporting. We are responsible 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.
21. We have fulfilled our responsibility for maintaining effective internal control over financial reporting. We have fulfilled 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.
22. We are responsible for evaluating the effectiveness of internal control over financial reporting based on the criteria established under 31 U.S.C. 3512 (c), (d) (commonly known as the Federal Managers' Financial Integrity Act) [or other appropriate criteria], and providing our assertion

**ILLUSTRATIVE WRITTEN REPRESENTATIONS FROM MANAGEMENT  
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about the effectiveness of internal control over financial reporting as of [date of most recent financial statement presented<sup>27</sup>], based on our evaluation. (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).)

23. We evaluated the effectiveness of the [Entity's] internal control over financial reporting as of September 30, 20X2 [or date of latest audited financial statements], based on the criteria established under 31 U.S.C. 3512 (c), (d) (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, the objectives of which are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. GAAP, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition; and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority; regulations; contracts; and grant agreements noncompliance with which could have a material effect on the financial statements.

[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).]

24. We did not use [auditor's] audit procedures performed during the integrated audits 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 as of September 30, 20X2 [or date of latest audited financial statements]. (Delete this item if the auditor is not opining on internal control.)
25. Based on the evaluation in number 23, 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 23 we conclude that as of September 30, 20X2 [or date of latest audited financial statements], [Entity's] internal control

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<sup>27</sup> If the auditor is opining on internal control, the date will be the date of the opinion. However, management may choose to include this representation even if the auditor is not opining on internal control. If that occurs, the date will be the date of management's assurance statement in accordance with OMB Circular A-123.

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over financial reporting was not effective because of the effects of the material weaknesses discussed below or in an attachment.

26. We have disclosed to you all [or, There are no] 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 we have separately identified any deficiencies that we believe to be significant deficiencies or material weaknesses. (Delete this item if the auditor is not opining on internal control.)
27. We have disclosed to you all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting that existed at any time during the years ended [date of most recent financial statement presented] and [date of prior year financial statement presented], and indicated which deficiencies were corrected by [date of most recent financial statement presented].
28. All significant deficiencies and material weaknesses identified and communicated to us by [auditor] in prior years' audits that remained unresolved as of September 30, 20X1 [or date of prior year audited financial statements] have been resolved OR [indicate specifically any that have not been resolved] as of September 30, 20X2 [or date of latest audited financial statements].

*If there were no significant deficiencies or material weaknesses:* During the audit of the financial statements for the year ended September 30, 20X1 [or date of prior year audited financial statements], [auditor] did not communicate any significant deficiencies or material weaknesses to us.

29. We have identified to you all previous audits, attestation engagements, and other studies that relate to the objectives of this audit, including whether related recommendations have been implemented.
30. 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**

31. We acknowledge our responsibility for the design, implementation, and maintenance of effective internal control to prevent and detect fraud.

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32. We have fulfilled our responsibility for the design, implementation, and maintenance of internal control to prevent or detect fraud.
33. We have [no knowledge of any] OR [disclosed to you all information that we are aware of regarding] fraud or suspected fraud affecting the [Entity] involving management or employees who have significant roles in internal control over financial reporting. (If there is knowledge of any instances, describe them.)
34. We have [no knowledge of any] OR [disclosed to you all information that we are aware of regarding] fraud or suspected fraud affecting the [Entity's] financial statements, RSI, and RSSI involving others when the fraud could have a material effect on the financial statements, supplementary information, RSI, and RSSI.
35. We have [no knowledge of any] OR [disclosed to you all information that we are aware of regarding] allegations of fraud or suspected fraud affecting the financial statements communicated by employees, former employees, or others.
36. 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.
37. We have no knowledge of any officer 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.

**Compliance of Systems with FFMIA**

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

38. We are responsible for implementing and maintaining financial management systems that comply substantially with Federal financial management systems requirements, Federal accounting standards (U.S. GAAP), and application of the U.S. Government Standard General Ledger (USSGL) at the transaction level.
39. We have assessed the financial management systems to determine whether they comply substantially with Federal financial management systems requirements, Federal accounting standards, application of and the USSGL at the transaction level. Our assessment was based on guidance issued by OMB.

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40. The [Entity's] financial management systems complied substantially with Federal financial management systems requirements, Federal accounting standards, and application of the USSGL at the transaction level as of [date of the latest financial statements].

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

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

*[If the financial management systems do not comply substantially 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 substantially with the Federal financial management systems requirements, applicable Federal accounting standards, and application of the USSGL at the transaction level.]

(If the financial management systems do not comply substantially with one or more of the three elements, the representation should (1) identify the entity or organization responsible for the financial management systems that were found to not comply substantially with any of the three elements, (2) 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; and (3) indicate whether the remediation plan that includes the resources, remedies, and intermediate target dates necessary to bring the agency's financial management systems into substantial compliance has been provided to the auditor or has not been prepared.)

**Compliance with Applicable Laws, Regulations, Contracts, and Grant Agreements**

41. We are responsible for complying with laws, regulations, contracts, and grant agreements applicable to [Entity].
42. We have identified and disclosed to you all provisions of laws, regulations, contracts, and grant agreements applicable to [Entity] noncompliance with which that have a direct and material effect on the determination of financial statements.
43. There are no instances of noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements applicable to [Entity] whose effects should be considered when preparing the financial statements. OR [We have disclosed to you all instances of noncompliance

**ILLUSTRATIVE WRITTEN REPRESENTATIONS FROM MANAGEMENT  
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noncompliance or suspected noncompliance with laws, regulations, contracts, and grant agreements applicable to [Entity] whose effects should be considered when preparing financial statements.]

44. 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, and through the date of this letter. OR [We have reported all known violations of the Antideficiency Act to the Congress and the President (and provided a copy of the report to the Comptroller General) for the year ended September 30, 20X2, 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 § 39) which suggests the following management representations.)

45. 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.
46. Actuarial assumptions and methods used to measure the amounts in the SOSI and SCSIA for financial accounting and disclosure purposes represent management's reasonable estimates regarding future events based on demographic and economic assumptions and future changes mandated by law.
47. 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).
48. The SOSI covers a projection period sufficient to illustrate the long-term sustainability of the social insurance program.
49. 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.

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50. 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
51. 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:
- a. Valuation dates (for example: of January 1, 20X2 and January 1, 20X1, and the valuation dates presented) or changes in the method of collecting data, and
  - b. Valuation date (for example: of January 1, 20X2 and the other valuation dates presented), and the financial reporting date (of September 30, 20X2 and other financial reporting dates presented) or changes in the method of collecting data.
52. 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, 20X2 and January 1, 20X1, and other valuation dates presented)
  - b. Valuation date (for example: January 1, 20X2 and other valuation dates presented) and the financial reporting date (of September 30, 20X2 and other financial reporting dates presented).
53. Accounting estimates applicable to the financial information of the [Entity] included in the SOSI and SCSIA are based on management's reasonable estimate, after considering past and current events and assumptions about future events.

**Budgetary and Restricted Funds**

54. The information presented in the [Entity's] Statement of Budgetary Resources is reconcilable to the information submitted in its year-end Reports on Budget Execution and Budgetary Resources (SF-133s). This information will be used as input for the fiscal year 20X1 actual column of the Program and Financing Schedules reported in the fiscal year 20X3 Budget of the U.S Government. Such information is supported by the related financial records and data.



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55. We have disclosed in the financial statements all material dedicated collections as defined by FASAB SFFAS No. 43 [if applicable] and all other material restricted funds [or indicate that there are no material dedicated collections or other material restricted funds that require disclosure in the financial statements].

**Service Organizations [If applicable]**

56. Service organizations [and subservice organizations, if any] that we use have not reported to us, nor are we otherwise aware of, any (1) fraud; (2) noncompliance with applicable laws, regulations, contracts, or grant agreements; or (3) uncorrected misstatements affecting the financial statements that are attributable to such service [or subservice, if any] organizations.

[If any such knowledge has been obtained, it should be described or specifically state how it was communicated to us.]

57. Service organizations [and subservice organizations, if any] that we use have not reported to us, nor are we otherwise aware of, any changes in the design, implementation, or operating effectiveness of internal controls at the service organizations [or subservice organizations, if any] subsequent to the effective dates of the service and subservice organizations report(s) provided to you that could (1) affect the risks of material misstatement of the financial statements or (2) result in material misstatements of the financial statements arising from processing errors that would not be prevented, or detected and corrected, on a timely basis.

[If any such knowledge has been obtained, it should be described or refer to how it was communicated to us, including the effects, if any, on the financial statements and/or the effectiveness of internal control over financial reporting, including specific identification of any internal control deficiencies that are considered to be material weaknesses or significant deficiencies.]

[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 Entity], 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<sup>28, 29</sup>), and the accompanying Financial Report (FR) Notes Report (except for the information in the FR Notes Report entitled “Threshold”); 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

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<sup>28</sup> If the statements of social insurance and statements 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 statements of changes in social insurance amounts. The statements of social insurance and statements 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 statements of changes in social insurance amounts, the audit report will indicate that the: (1) valuation date is [insert date] for [insert social insurance program] and (2) projection period used for [insert social insurance program] is 75 years OR for the Black Lung program, insert 2040, when the program is scheduled to terminate].

<sup>29</sup> The statements of social insurance and statements 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. 15-xx, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-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 statements 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

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applicable), and the statements of changes in social insurance amounts for the years ended [dates presented] (hereinafter referred to as "general-purpose financial statements"). 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. 15-xx the general-purpose financial statements of [name of Federal agency] as of September 30, 20X2 and 20X1, and our report thereon, dated November XX, 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, 17, and 18, except for the information included in the Other Text Data of Other Data Report No. 1, and the information in the Other Data Info Section C – Tax Gap of Other Data Report No. 1, Other Data Report Nos. [insert numbers] entitled "Threshold", (which are discussed below) be presented to supplement the basic closing package financial statements. Such information, although not a part of the basic closing package 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 closing package 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, in order to report omissions or material departures from prescribed guidelines, if any, identified by these limited procedures. 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 information<sup>30</sup>] 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

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<sup>30</sup> Examples of information that could be missing include Management's Discussion and Analysis and the combining Statement of Budgetary Resources.

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statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the closing package 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 Data Info Section C – Tax Gap of Other Data Report No. 1; 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]; 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. We read the other information included with the closing package financial statements in order to identify material inconsistencies, if any, with the audited 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. 15-xx, we have also issued reports<sup>31</sup> 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

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<sup>31</sup> 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 the report on compliance with laws, regulations, contracts, and grant agreements, the language in this section should be modified accordingly.

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*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. 15-xx in considering the [name of Entity]'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.

Our audit of the general-purpose financial statements as of and for the year ended September 30, 20X2 disclosed the following material weaknesses, significant deficiencies, and/or compliance and other matters.<sup>32</sup>

***Internal Control over Financial Reporting Specific to the Closing Package Financial Statements***<sup>33</sup>

In planning and performing our audit of the closing package financial statements as of and for the year ended September 30, 20X2 we also considered [name of Federal Agency]'s internal control over 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.

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<sup>32</sup> Provide a description of material weaknesses, significant deficiencies, material non-compliance and/or other matters identified during the general-purpose financial statement audit.

<sup>33</sup> 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 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)] 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*, noncompliance with which could have a material effect on the closing package financial statement amounts. 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 accompanying<sup>34</sup> [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)] as items [list the reference numbers of the related findings, for example, 20X2-2 and 20X2-5].

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<sup>34</sup> If noncompliance is not identified, replace with: The results of our tests of compliance with *TFM Chapter 4700* disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* and OMB Bulletin No. 15-xx.

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***[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 noncompliance with which could 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

#### Additional Note Number X<sup>35</sup> – 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.

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<sup>35</sup> When an incomplete presentation of financial statements exists, management is required to disclose the purpose of the financial statements. The purpose of the closing package financial statements is detailed within Treasury's TFM and described within a note to the closing package financial statements. Management can make this disclosure either within the summary of significant accounting policies, or as a standalone footnote. Because the number of notes within GFRS can change each year, this footnote is being referred to as Additional Note Number X.