

GAO/PCIE

**Financial
Audit
Manual**

Exposure Draft

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SECTION 600

Planning and General

[Under development; available in a future update.]

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SECTION 700

Internal Controls

(This section is reserved.)

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SECTION 800

Compliance

[Under development; available in a future update.]

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Substantive Testing

(This section is reserved.)

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SECTION 1000

Reporting

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Reporting

1001 - MANAGEMENT REPRESENTATIONS

- .01 This section deals with the management representations that the auditor is required to obtain from current management as part of the audit, as described in sections 280 and 550. It covers the four general areas of representations: representations about the financial statements, internal control, financial management systems' substantial compliance with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA), and compliance with laws and regulations. In the AICPA standards, these representations are discussed in sections AU 333 (SAS 85), AT 400.41 (from *Statement on Standards for Attestation Engagements* (SSAE) Number 2, as amended), and AU 801. OMB audit guidance also contains guidance on management representations letters.
- .02 Written representations from management ordinarily confirm oral representations given to the auditor, indicate and document the continuing appropriateness of those representations, and reduce the possibility of misunderstanding. Management representations are not a substitute for audit procedures. If a representation is contradicted by other audit evidence, the auditor should investigate the circumstances and consider the reliability of the representation. Also, the auditor should then consider whether it is appropriate to rely on other management representations. Management's refusal to furnish written representations is a scope limitation sufficient to preclude an unqualified opinion.
- .03 The specific representations obtained will depend on the circumstances of the engagement and the nature and basis of presentation of the financial statements. These representations apply to all the financial statements and all periods covered by the audit report. In addition to the representations given in the AICPA standards, the auditor generally should consider the need to obtain representations on other matters based on the circumstances of the audited entity. Also, the representations given in the example representation letter in section 1001 A should be deleted if inapplicable or customized to the situation of the entity being audited.
- .04 The management representation letter should be obtained from the highest level of the audited entity. The officials who sign the management representation letter should be those who, in the auditor's view, are responsible for and knowledgeable, directly or through others, about the matters in the representation letter. These officials should generally be the

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head of the entity and the CFO, or equivalent. Additional management representation letters should be obtained from any component units for which separate reports are to be issued.

- .05 The management representation letter should be on the audited entity's letterhead. The representations should be as of a date no earlier than the date of the auditor's report—the end of fieldwork. To ensure the letter is ready in time, a draft letter generally should be provided to and discussed with management early in the audit and updated for circumstances found throughout the audit. Where management signs the letter after the end of fieldwork, the letter should state that the representations are as of the date of the audit report. If management signs the letter before the end of fieldwork, the auditor generally should obtain a separate letter to update the representations to the end of fieldwork. However, where the time difference is short, the auditor may update the representations orally and document the update in the workpapers.
- .06 Although the management representation letter generally should be addressed to the Comptroller General (at GAO) or the agency IG, the audit team should consider having the entity deliver it directly to a member of the team to avoid any delays in receiving the letter.
- .07 Especially for large audited entities, management may need to specify a materiality threshold in the management representation letter, below which items would not be considered exceptions. The auditor should be satisfied that such a materiality threshold is so far below design materiality that even many items below this level would not, in the aggregate, approach design materiality. For example, a threshold that is 5 percent (or less) of design materiality may be sufficiently low. The materiality level may be different for different representations and would not apply to those representations not directly related to amounts in the financial statements (such as responsibility for the statements).

REPRESENTATIONS RELATING TO THE FINANCIAL STATEMENTS

- .08 Paragraph AU 333.06 lists 17 management representations that are ordinarily included in a GAAS audit if applicable. These generally relate to management acknowledging its responsibility for the financial statements and its belief that the financial statements are fairly presented in conformity

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with generally accepted accounting principles; completeness of financial information; recognition, measurement, and disclosure; and subsequent events. Examples of additional representations that may be appropriate depending on an entity's business or industry are given in appendix B to AU 333. The auditor may review section AU 333 for items that could be added to the representations, many of which would have to be modified in the federal government environment. (OMB has added a representation dealing with intragovernmental transactions and their reconciliations for CFO Act agencies and components.)

.09 Appendix B of AU 333 gives example language for the following situations:

General

- Unaudited interim information accompanies the financial statements.
- The impact of a new accounting principle is not known.
- There is justification for a change in accounting principles.
- Financial circumstances are strained, with disclosure of management's intentions and the entity's ability to continue as a going concern.
- The possibility exists that the value of specific significant long-lived assets or certain identifiable intangibles may be impaired.
- The work of a specialist has been used by the entity.

Cash

- Disclosure is required of compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements.

Financial instruments

- Management intends to and has the ability to hold to maturity debt securities classified as held to maturity.
- Management considers the decline in value of debt or equity securities to be temporary.
- Management has determined the fair value of significant financial instruments that do not have readily determinable market values.
- There are financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk.

Receivables

- Receivables have been recorded in the financial statements.

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Inventories

- Excess or obsolete inventories exist.

Deferred charges

- Material expenditures have been deferred.

Debt

- Short-term debt could be refinanced on a long-term basis, and management intends to do so.

Contingencies

- Estimates and disclosures have been made of environmental remediation liabilities and related loss contingencies.
- Agreements may exist to repurchase assets previously sold.

Pension and postretirement benefits

- An actuary measured pension liabilities and costs.
- There is involvement with a multiemployer plan.
- Postretirement benefits have been eliminated.
- Employee layoffs that would otherwise lead to a curtailment of a benefit plan are intended to be temporary.
- Management intends to either continue to make or not make frequent amendments to its pension or other postretirement benefit plans, which may affect the amortization period of prior service cost, or management has expressed a substantive commitment to increase benefit obligations.

Sales

- There may be losses from sales commitments.
- There may be losses from purchase commitments.
- Nature of the product or industry indicates the possibility of undisclosed sales terms.

- .10 The auditor generally should consider the need for additional customizing of the example representation letter given in section 1001 A and for the additional representations in paragraph 1001.09. Many of the representations may have to be qualified, especially in an initial audit or in later audits where significant problems remain. For instance, where the example representation letter states that there are no violations of laws or regulations, the entity may need to add at the end of the statement, "except as follows:" and describe the violations.

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- .11 In addition, the auditor generally should consider whether circumstances may require that additional descriptive items be included in the representation letter, especially as support for conclusions the auditor makes in the audit. This is important where the corroborating information that can be obtained by procedures other than inquiry is limited. For example, the letter should include descriptions of (1) the reasons for audited-entity-imposed scope limitations, such as lack of availability of certain records, (2) the basis for material liability estimates, key asset valuations, or the probability of contingencies, and (3) significant plans or intentions for the entity. For example, if the entity has a pension plan outside of the Civil Service Retirement System or the Federal Employees' Retirement System, an item should state that the entity does not plan to terminate the plan and that management believes the actuarial assumptions and methods used to measure pension liabilities and costs for financial reporting purposes are appropriate in the circumstances.

REPRESENTATIONS RELATING TO INTERNAL CONTROLS

- .12 Internal control representations when the auditor opines on internal control are found in AT 400.41. These representations relate to management's (1) acknowledging its responsibility for internal control, (2) stating that management has assessed the effectiveness of its internal control and specifying the control criteria used, (3) stating management's assertion about the effectiveness of its internal control based on the control criteria, (4) stating that management has disclosed to the auditor all significant deficiencies in the design or operation of internal control that could adversely affect the entity's ability to meet the internal control objectives and pointing out those that are material weaknesses (using the definition in the representation letter, which is the definition in AU 325), (5) describing any fraud, and (6) stating whether there were any changes to internal control subsequent to the end of the reporting period. Where the auditor is not opining on internal control, he or she should delete representations 2 and 3 above. Depending on circumstances, the auditor should consider modifying representation 4 above to remove the phrase "pointing out those that are material weaknesses." The auditor also should modify the introductory paragraph to the representation letter.
- .13 For items 2 and 3, the auditor expects entities to use criteria established under FMFIA and OMB Circular A-123 in their FMFIA internal control assessment. Standards in GAO's green pamphlet *Standards for Internal*

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Control in the Federal Government were established as standards for federal entities to follow, and they were incorporated by OMB into Circular A-123. The November 1999 update to these standards (GAO/AIMD-00-21.3.1) is effective for fiscal year 2000 FMFIA reports and incorporates concepts from the private sector guidance *Internal Control—Integrated Framework* by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Entities should summarize in the representation letter any material weaknesses relating to financial reporting (including safeguarding), compliance (including budget), and performance measures controls. Example wording for the representations is given in section 1001 A for the case where management asserts that its internal control as of the date of the financial statements provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements or required supplementary stewardship information would be prevented or detected on a timely basis. If there are material weaknesses, management should include a brief description of them in its representation letter and modify its assertion accordingly.

- .14 For entities that have not formally assessed the effectiveness of their internal control, AT 400 provides that the auditor may assist management in its assessment by gathering or preparing information that management can use in evaluating the effectiveness of its internal control. The auditor may also use the information in forming an opinion on internal control. Thus, the example representations are appropriate for inclusion in the management representation letter if management and the auditor agree on the conclusions regarding the effectiveness of internal control.

REPRESENTATIONS RELATING TO FINANCIAL MANAGEMENT SYSTEMS' SUBSTANTIAL COMPLIANCE WITH FFMIA REQUIREMENTS

- .15 FFMIA requires the auditor who performs a CFO Act audit to report whether the entity's financial management systems comply substantially with (1) federal financial management systems requirements, (2) applicable federal accounting standards (now recognized as generally accepted accounting principles), and (3) the SGL at the transaction level. In order to report in accordance with FFMIA, the auditor should obtain representations from management as to the entity's systems' compliance with these requirements.

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- .16 The auditor should obtain representations that management takes responsibility for complying substantially with the FFMIA requirements, stating that it has assessed the systems' compliance, stating the criteria used, and asserting the systems' substantial compliance (or lack thereof). The criteria should be the requirements in OMB Circular A-127, *Financial Management Systems* (which incorporates the SGL, the JFMIP *Federal Financial Management Systems Requirements* documents, and other OMB circulars). These requirements are further described, including indicators of substantial compliance, in OMB's FFMIA implementation guidance for CFOs and IGs, referenced in OMB's audit guidance.

REPRESENTATIONS RELATING TO COMPLIANCE WITH LAWS AND REGULATIONS

- .17 AU 801.07 suggests that a representation relating to compliance with laws and regulations state that management has identified and disclosed to the auditor all laws and regulations that have a direct and material effect on the financial statements.
- .18 In addition, AT 500 (SSAE 3) deals with compliance attestation. The auditor is not required to follow this standard because it does not apply to audits reporting on compliance as part of an audit of financial statements or on audits reporting in accordance with *Government Auditing Standards*. However, in situations in which the auditor believes additional representations regarding compliance may be needed, examples are given in AT 500.70.

EFFECT OF CHANGE IN MANAGEMENT ON REPRESENTATION LETTER

- .19 Sometimes management is reluctant to sign representations for periods when it did not manage the entity. The auditor should explain to management that by issuing the financial statements, it is making the assertions implicit in the financial statements. Management may wish to understand the transactions and controls supporting the financial statements, and the auditor should help it do so. Where a change in management is expected, the auditor may advise the new management to obtain representations from the old management about the period prior to the change.

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Reporting

1001 A - EXAMPLE MANAGEMENT REPRESENTATION LETTER

[Entity Letterhead]

[Date of auditor's report and completion of fieldwork]

The Honorable [name of Inspector General or Comptroller General]
[Inspector or Comptroller] General [of the United States]
[Name of agency] [or U.S. General Accounting Office]
Washington, D.C.

Dear [name]:

This letter is in connection with your audits of the [entity's] balance sheet as of September 30, 20X1 and 20X2, [or dates of audited financial statements] and the related statements of net costs, changes in net position, budgetary resources, financing, and custodial activity [if applicable], for the years then ended for the purposes of (1) expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, (2) expressing an opinion [or reporting] on [entity's] internal control as of September 30, 20X2 [or date of latest audited financial statements], (3) reporting whether the [entity's] financial management systems substantially comply with federal financial management systems requirements, applicable federal accounting standards (generally accepted accounting principles), and the *U.S. Government Standard General Ledger* at the transaction level as of September 30, 20X2, and (4) testing for compliance with applicable laws and regulations.

Certain representations in this letter are described as being limited to matters that are material. For purposes of this letter, matters are considered material if they involve \$X or more. Items also are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances,

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1001 A - Example Management Representation Letter

makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during the audits (these representations are as of [date of completion of fieldwork], pertain to both years' financial statements, and update the representations we provided in the prior year):

1. We are responsible for the fair presentation of the financial statements and stewardship information in conformity with generally accepted accounting principles.
2. The financial statements are fairly presented in conformity with generally accepted accounting principles.
3. We have made available to you all
 - a. financial records and related data,
 - b. where applicable, minutes of meetings of the Board of Directors [or other similar bodies, such as congressional oversight committees] or summaries of actions of recent meetings for which minutes have not been prepared, and
 - c. communications from the Office of Management and Budget (OMB) concerning noncompliance with or deficiencies in financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or disclosed in the notes to the financial statements.
5. We believe that the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. [An example accompanying schedule is included in section 595 C.] [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

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1001 A - Example Management Representation Letter

that items XX and XX do not constitute misstatements because [description of reason]." [This representation is required for audits of financial statements for periods beginning on or after December 15, 1999.]

6. The [entity] has satisfactory title to all owned assets, including stewardship property, plant, and equipment; such assets have no liens or encumbrances; and no assets have been pledged.
7. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
8. Guarantees under which the [entity] is contingently liable have been properly reported or disclosed.
9. Related party transactions and related accounts receivable or payable, including assessments, loans, and guarantees, have been properly recorded and disclosed.
10. All intraentity transactions and balances have been appropriately identified and eliminated for financial reporting purposes, unless otherwise noted. All intragovernmental transactions and balances have been appropriately recorded, reported, and disclosed. We have reconciled intragovernmental transactions and balances with the appropriate trading partners for the four fiduciary transactions identified in Treasury's *Intra-governmental Fiduciary Transactions Accounting Guide*, and other intragovernmental asset, liability, and revenue amounts as required by OMB Bulletin 97-01, as amended.
11. There are no
 - a. possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency,
 - b. material liabilities or gain or loss contingencies that are required to be accrued or disclosed that have not been accrued or disclosed, or
 - c. unasserted claims or assessments that are probable of assertion and must be disclosed that have not been disclosed.

Reporting**1001 A - Example Management Representation Letter**

12. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
13. No material events or transactions have occurred subsequent to September 30, 20X2 [or date of latest audited financial statements], that have not been properly recorded in the financial statements and stewardship information or disclosed in the notes.
14. There has been no material fraud (intentional misstatements or omissions of amounts or disclosures in financial statements and misappropriation of assets that could have a material effect on the financial statements or stewardship information) or any fraud involving management or employees who have significant roles in internal control. [If there were any incidents of fraud meeting the foregoing criteria, they should be described.]
15. We are responsible for establishing and maintaining internal control.
16. Pursuant to the Federal Managers Financial Integrity Act, we have assessed the effectiveness of [entity's] internal control in achieving the following objectives:
 - a. reliability of financial reporting—transactions are properly recorded, processed, and summarized to permit the preparation of financial statements and stewardship information in accordance with generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use or disposition;
 - b. compliance with applicable laws and regulations—transactions are executed in accordance with (i) laws governing the use of budget authority and with other laws and regulations that could have a direct and material effect on the financial statements and (ii) any other laws, regulations, and governmentwide policies identified by OMB in its audit guidance; and
 - c. reliability of performance reporting—transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.

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17. Those controls in place on September 30, 20X2 [or date of latest audited financial statements], provided reasonable assurance that the foregoing objectives are met.

[If there are material weaknesses, the foregoing representation should be modified to read:

Those controls in place on September 30, 20X2, provided reasonable assurance that the foregoing objectives are met except for the effects of the material weaknesses discussed below or in the attachment.

or: Internal controls are not effective.

or: Internal controls do not meet the foregoing objectives.]

18. We have disclosed to you all significant deficiencies in the design or operation of internal control that could adversely affect the entity's ability to meet the internal control objectives and identified those we believe to be material weaknesses. [This item is not required if the auditor is not opining on internal control.]
19. There have been no changes to internal control subsequent to September 30, 20X2 [or date of latest audited financial statements], or other factors that might significantly affect it. [If there were changes, describe them, including any corrective actions taken with regard to any significant deficiencies or material weaknesses.] [This item is not required if the auditor is not opining on internal control.]
20. We are responsible for implementing and maintaining financial management systems that comply substantially with federal financial management systems requirements, federal accounting standards (generally accepted accounting principles), and the *U.S. Government Standard General Ledger* at the transaction level.
21. We have assessed the financial management systems to determine whether they comply substantially with these federal financial management systems requirements. Our assessment was based on guidance issued by OMB.

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1001 A - Example Management Representation Letter

22. The financial management systems complied substantially with federal financial management systems requirements, federal accounting standards, and the *U.S. Government Standard General Ledger* at the transaction level as of [date of the latest financial statements].

[If the financial management systems substantially comply with only one or two of the above elements, this representation should be modified as follows:

As of [date of financial statements], the [entity's] financial management systems comply substantially with [specify which of the three elements for which there is substantial compliance (e.g., federal accounting standards and the SGL at the transaction level)], but did not comply substantially with [specify which of the elements for which there was a lack of substantial compliance (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, the following paragraph should be used instead:

As of [date of financial statements], the [entity's] financial management systems do not comply substantially with the federal financial management systems requirements.]

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

23. We are responsible for [entity's] compliance with applicable laws and regulations.

24. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

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1001 A - Example Management Representation Letter

25. We have disclosed to you all known instances of noncompliance with laws and regulations.

[Name of Head of Entity]
[Title]

[Name of Chief Financial Officer]
[Title]

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Reporting

1002 - RESERVED

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Reporting

1003 - FINANCIAL STATEMENT AUDIT COMPLETION CHECKLIST

Entity: _____

Job Code: _____

Principal Report: _____

Other Reports (including management letters): _____

INSTRUCTIONS

- .01 This checklist is a tool to help auditors of financial statements comply with generally accepted government auditing standards and with OMB audit guidance. This checklist should be completed before the report is issued and should be prepared by the audit manager and reviewed by the assistant director and audit director. If the audit is conducted at multiple sites, the site supervisor may complete parts of the checklist for each site (with the audit manager completing an overall checklist). While parts of the checklist are useful in audit planning, no specific signatures are required on the checklist in the planning phase.
- .02 The detailed questions in this checklist are to be answered "N/A" (not applicable), "Yes," or "No." Check N/A when the item does not exist or when the item exists but is judged to be not material. It is not necessary to create additional documentation to support the Yes answers, but a column is provided to give a workpaper reference ("W/P"). All No answers should be discussed at the end of this checklist. Because the checklist is designed for the wide range of financial statement audits, there will be many "not applicable" answers. If the reason why a question is not applicable is not obvious, the auditor should document the reason on the checklist or in an attachment. The questions are summarized; for most questions, there is a reference to professional literature that provides more detail.
- .03 Section V has questions on GAO's report considerations; section VI has questions on GAO's quality control. GAO auditors should complete these sections. IG auditors and other auditors may use these sections or may substitute forms that consider their reporting style and quality controls.
- .04 As noted in FAM 650, auditors whose work GAO and the IGs use may complete this checklist and the "Checklist for Reports Prepared under the CFO Act." Where this

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1003 - Financial Statement Audit Completion Checklist

has been done, GAO or IG auditors should review the checklists prepared by the other auditors.

- .05 The FAM includes a separate "Checklist for Reports Prepared under the CFO Act" (section 1004) that covers accounting, financial reporting, and disclosure issues and should be completed for all entities reporting under generally accepted accounting principles promulgated by FASAB. When the report covers financial statements prepared using generally accepted accounting principles promulgated by FASB, the auditor should prepare the appropriate AICPA disclosure checklist.
- .06 GAO auditors should prepare the "GAO workpaper set" that provides guidance on workpapers. IG and other auditors may develop similar tools.
- .07 For GAO's financial audits, a second partner review should be performed and the Chief Accountant should read the report. These reviews by the second partner and/or Chief Accountant are documented on the last two pages of this checklist. IG auditors and other auditors should consider the need for similar reviews.

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1003 - Financial Statement Audit Completion Checklist

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References:

AICPA Professional Standards (vol. 1)	AU
GAO/PCIE Financial Audit Manual	FAM
Government Auditing Standards, as amended	GAGAS

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1003 - Financial Statement Audit Completion Checklist

Section I: Planning and Concluding the Audit	N/A	Yes	No	W/P
1. Do the workpapers document that the audit team has established an understanding with the client as to the objectives of the work, management's responsibilities, auditors' responsibilities, and limitations of the work? (FAM 280)	—	—	—	—
2. Were entrance conferences held?	—	—	—	—
3. Does the entity profile (or equivalent) document an understanding of the entity sufficient to plan the audit? (FAM 290.03)	—	—	—	—
4. Do the workpapers contain an adequate general risk analysis or the equivalent? (FAM 290.04)	—	—	—	—
5. Did the audit team adequately perform and document the following planning steps? (FAM 290.04)				
a. Perform preliminary analytical procedures (FAM 225)	—	—	—	—
b. Determine planning, design, and test materiality (FAM 230)	—	—	—	—
c. Identify significant laws and regulations (FAM 245)	—	—	—	—
d. Identify relevant budget restrictions (FAM 250)	—	—	—	—
e. Understand the budget formulation process (FAM 260.51)	—	—	—	—
(continued on next page)				

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1003 - Financial Statement Audit Completion Checklist

Section I: Planning and Concluding the Audit	N/A	Yes	No	W/P
5. (continued)				
f. Assess inherent risk and the overall effectiveness of the control environment, risk assessment, communication, and monitoring, including whether weaknesses in the control environment, risk assessment, communication, and monitoring preclude the effectiveness of specific control activities (FAM 260)	—	—	—	—
g. Assess the risk of fraud (FAM 260)	—	—	—	—
h. Design the audit to achieve an acceptable level of audit assurance that the financial statements are not materially misstated (GAO uses 95 percent) (FAM 260.04)	—	—	—	—
i. Consider the effects of information technology, including service centers (FAM 220, 260.17, 260.41-42, and 270)	—	—	—	—
j. Assess the FMFIA process (FAM 260.43)	—	—	—	—
k. Consider operations controls to be tested (FAM 275)	—	—	—	—
l. Understand performance measures controls (FAM 275)	—	—	—	—
m. Plan other procedures (representation letters, related party transactions, sensitive payments) (FAM 280)	—	—	—	—
n. Consider locations to be visited (FAM 285)	—	—	—	—
(continued on next page)				

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1003 - Financial Statement Audit Completion Checklist

Section I: Planning and Concluding the Audit	N/A	Yes	No	W/P
<p>5. (continued)</p> <p>o. Plan procedures to test compliance with the requirements of FFMIA (FAM 350.20)</p> <p>p. Consider staffing requirements</p> <p>q. Consider timing of procedures and milestones (FAM 295 D)</p> <p>r. Consider assistance from entity personnel</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p>			
<p>6. Does the general risk analysis or the equivalent reflect appropriate consideration of findings and recommendations from previous audits that could affect the current audit objectives? (GAGAS, par. 4.10)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>
<p>7. Did the audit team identify budget controls for each relevant budget restriction and perform sufficient work to support the conclusions on internal control? (FAM 250, 310.05, 330.09)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>
<p>8. Did the audit team identify compliance controls and perform sufficient work to support the conclusions on internal control? (FAM 245, 310.05, 330.09)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>
<p>9. If the audit team used the work of others (CPA firms, IGs, internal auditors, or specialists), did the audit team meet the requirements of FAM 650?</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>

Reporting
1003 - Financial Statement Audit Completion Checklist

Section I: Planning and Concluding the Audit	N/A	Yes	No	W/P
<p>10. Did the audit team perform overall analytical procedures, including documentation of the following?</p> <p>a. Expectations</p> <p>b. Data/sources</p> <p>c. Parameters</p> <p>d. Explanations/corroboration</p> <p>e. Conclusions (FAM 590.04)</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>			
<p>11. Do the workpapers indicate that the audit team properly performed the following procedures in the reporting phase of the audit? (FAM 590.01)</p> <p>a. Evaluate misstatements (FAM 540)</p> <p>b. Bring all misstatements to the attention of entity management (FAM 540.07)</p> <p>c. Obtain attorneys' representations (FAM 550.02)</p> <p>d. Review subsequent events (FAM 550.04 and 1005)</p> <p>e. Obtain management representations (FAM 550.08 and 1001)</p> <p>f. Identify and test related party transactions (FAM 550.12 and 1006)</p> <p>g. Review the consistency of other information accompanying the financial statements (FAM 580.76)</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>			

Reporting
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Section I: Planning and Concluding the Audit	N/A	Yes	No	W/P
12. Does the audit summary memorandum or equivalent properly summarize or refer to workpapers addressing the following? (FAM 590.02-.03)				
a. Changes from original risk assessments	—	—	—	—
b. Additional fraud risk factors or other conditions identified during the audit calling for an additional response and the additional response	—	—	—	—
c. The basis for conclusions on significant auditing, accounting, and reporting issues	—	—	—	—
d. Conclusions on adequacy of procedures	—	—	—	—
e. Unadjusted misstatements	—	—	—	—
f. Conclusions on financial statements	—	—	—	—
g. Conclusions on internal control	—	—	—	—
h. Conclusions on compliance with laws and regulations and the requirements of FFMIA	—	—	—	—
i. Conclusions on the consistency of accompanying information with the principal statements	—	—	—	—

Reporting
1003 - Financial Statement Audit Completion Checklist

Section I: Planning and Concluding the Audit	N/A	Yes	No	W/P
<p>13. Do the workpapers document that the following occurred?</p> <p>a. Deviations from the "should" procedures in the FAM and the basis therefor were approved by the assistant director with copies of the documentation sent to the audit director and the reviewer</p> <p>b. Deviations from the "must" procedures in the FAM were approved by the reviewer (FAM 100.27)</p>	<p>—</p> <p>—</p>	<p>—</p> <p>—</p>	<p>—</p> <p>—</p>	<p>—</p> <p>—</p>

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p>Answer these questions for each key audit area or cycle. Indicate the key audit areas and cycles these questions apply to: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>				
<p>1. Did the audit team prepare the following documentation summarizing considerations in planning and performing the work in the key audit areas and cycles?</p> <p>a. Cycle Matrix or an equivalent (or documentation in Account Risk Analysis or an equivalent) showing links between accounts, cycles, applications and line items (FAM 290.05)</p> <p>b. Account Risk Analysis or an equivalent (FAM 290.06)</p> <p>c. Cycle Memorandum and/or flowchart or equivalents (FAM 390.04-.05)</p> <p>d. Specific Control Evaluation or an equivalent (FAM 390.06)</p> <p>e. Written audit program (AU 311.05)</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>			
<p>2. If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances? (AU 311.05)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p>3. When the audit team performed sampling, did it properly determine and document the following?</p> <p>a. The method used in relation to test objectives</p> <p>b. Sample size and the method of determining it</p> <p>c. Tests performed</p> <p>d. Results (misstatements and deviations found)</p> <p>e. Evaluation (including projection to the population)</p> <p>f. Conclusion (FAM 490.06)</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>			
<p>4. When the audit team performed substantive analytical procedures, did it properly document the following?</p> <p>a. Expectations and the method used to develop them</p> <p>b. Data sources/reliability</p> <p>c. Limit/criteria</p> <p>d. Client explanations and corroborating evidence</p> <p>e. Additional steps needed</p> <p>f. Conclusions (FAM 490.06)</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>			

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p>5. When the audit team performed interim testing, did it do the following?</p> <p>a. Test the rollforward period</p> <p>b. Properly document:</p> <p>1. The basis for using interim testing</p> <p>2. The procedures performed</p> <p>3. The effects of any misstatements found (FAM 495C.06)</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p>			
<p>6. Did the audit team evaluate the reasonableness of significant accounting estimates made by management? (AU 342)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>
<p>7. Were known and likely misstatements identified in the testing of the key area carried forward to the summary of possible adjustments? (FAM 540.04)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>
<p>8. Did an information systems auditor review the specific control evaluation to evaluate the audit team's decision on which controls are computer-related (including controls relating to service-center-produced records)? (FAM 350.09)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p>9. Based on the inherent and control risk, did the audit team perform adequate substantive tests of the following? (If not a key area, check the N/A box.)</p> <p><u>Fund Balance with Treasury (FBWT)</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> • Did the audit team test the agency's year-end reconciliation of Fund Balances with Treasury to Treasury account ledgers and trial balance reports (Financial Management Service (FMS) Forms 6653, 6655)? • Did the audit team determine whether the auditee did the following? <ol style="list-style-type: none"> 1. Researched and resolved differences before making adjustments 2. Recorded any necessary adjustments in the agency's FBWT accounts 3. Reported the adjustments to Treasury 4. Disclosed in the notes to the financial statements material unreconciled differences and budget clearing account differences at year-end, and material unreconciled differences written off by the agency during the year? <p>(continued on next page)</p>	---	---	---	---

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p><u>Fund Balance with Treasury</u> (continued)</p> <ul style="list-style-type: none"> Did the audit team assess (at absolute value) the materiality of unreconciled differences, such as those reported on the Statement of Differences (FMS form 6652) and those included in budget clearing accounts (such as budget accounts F3875, F3878, F3879)? (GAO/AIMD-97-104R) 				
<p><u>Receivables</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> Where practical, were accounts receivable confirmed and appropriate follow-up steps taken, including second requests and alternate procedures? (AU 330.30-.31) If substantive test were performed prior to year-end, was there an adequate review of transactions from the interim date to the balance sheet date? (AU 313.08-.09) If a significant number and amount of accounts receivable were not confirmed, were other appropriate auditing procedures performed? (AU 330.31-.32) 	---	---	---	---

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p><u>Inventories</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> • Were physical inventories observed at all locations where material amounts were located? (AU 331) • If perpetual inventory records are maintained, do the workpapers indicate that differences disclosed by the physical inventory (or cycle counts) are properly reflected in the financial statements? (AU 331) • When the physical inventory is taken at a date other than the balance sheet date (or where rotating procedures are used), did the auditor consider inventory transactions between the inventory date(s) and the balance sheet date? (AU 313.08-09) • Do the workpapers contain evidence that counts were correctly made and recorded (was control over inventory tags or count sheets maintained) and test count quantities were reconciled with the counts reflected in the final inventory? (AU 331.09) <p>(continued on next page)</p>	—	—	—	—

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p><u>Inventories</u> (continued)</p> <ul style="list-style-type: none"> • Were there adequate tests of the following? <ul style="list-style-type: none"> a. Clerical accuracy of the inventory b. Costing methods and substantiation of costs used in pricing all elements of the inventory c. Cutoff • Were analytical procedures used to test the overall valuation of inventories? 				
<p><u>Investments</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> • Was a summary schedule prepared (or obtained) and details tested with respect to the description, purchase price and date, changes during the period, income, market value, etc. of investments? • Were securities either examined or confirmed? (AU 332.04) 	---	---	---	---

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p><u>Property, Plant, and Equipment</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> • Was a summary schedule prepared (or obtained) to show beginning balances, changes during the period and ending balances for the following? <ul style="list-style-type: none"> a. Property, plant, and equipment b. Accumulated depreciation • Do the tests appear adequate and were proper conclusions drawn? 	---	---	---	---
<p><u>Liabilities</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> • Did the audit team perform an adequate search for unrecorded liabilities? • Did the audit team consider expenses that might require accrual (e.g., pensions, compensated absences, other postretirement benefits, or postemployment benefits provided to former or inactive employees prior to retirement), and whether accrued expenses were reasonably stated? 	---	---	---	---

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p><u>Revenue and Expenses</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> ● Did the audit team compare revenue and expenses for the period to expectations, based on the budget and the results of the preceding period? (AU 329) ● Were significant variances and fluctuations from expectations explained? (AU 329) ● Did the audit team consider the following? <ul style="list-style-type: none"> a. The entity's revenue recognition policy b. Unusual transactions ● Do tests appear adequate and were proper conclusions drawn? 	—	—	—	—

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Section III: Consultation	N/A	Yes	No	W/P
<p>1. Where warranted by the complexity or unusual nature of an issue (for example, issues where the FAM requires consultation, issues not discussed in FAM or professional standards, going concern, economic dependency, issues arising after report issuance), was there appropriate consultation with specialists, including the following?</p> <ul style="list-style-type: none"> • The reviewer (FAM Appendix A) • The statistician (FAM Appendix A) • The Office of General Counsel (FAM Appendix A) • The technical accounting expert? (FAM 100.25) 	<p>—</p> <p>—</p> <p>—</p> <p>—</p>			
<p>2. Were significant consultations appropriately documented? (FAM 100.24)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>
<p>3. Were the persons consulted made aware of all relevant facts and circumstances?</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>

Reporting
1003 - Financial Statement Audit Completion Checklist

Section IV: Report	N/A	Yes	No	W/P
1. Does the auditor's report include the following?				
a. Introduction	—	—	—	—
b. Significant matters (if applicable)	—	—	—	—
c. Conclusions on:				
i. Financial statements	—	—	—	—
ii. Internal control	—	—	—	—
iii. Compliance with laws and regulations and the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA)	—	—	—	—
iv. Consistency of other information with financial statements	—	—	—	—
d. Objectives, scope, and methodology, including description of all instances where GAGAS and OMB audit guidance were not followed	—	—	—	—
e. Agency comments (FAM 580.04, 580.81)	—	—	—	—

Reporting
1003 - Financial Statement Audit Completion Checklist

Section IV: Report	N/A	Yes	No	W/P
<p>2. Is the auditor's report appropriate as to the following?</p> <p>a. Wording</p> <p>b. Scope of work</p> <p>c. Generally accepted accounting principles</p> <p>d. Explanatory paragraphs</p> <p>e. Opinion on financial statements</p> <p>f. Conclusions on internal control</p> <p>g. Reporting on compliance with laws and regulations and the requirements of FFMIA (FAM 580)</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>			
<p>3. Is background material (purpose, authority, and functions of programs/activities) limited to what is necessary?</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>
<p>4. Is the auditor's report dated in conformity with professional standards? (AU 530) (FAM 1601)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>
<p>5. Does the auditor's report cover all periods for which financial statements are presented? (AU 508.65)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>
<p>6. If the financial statements of a prior period are presented and have been audited by a predecessor auditor whose report is not presented, does the auditor's report refer to the predecessor auditor's report? (AU 508.74)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>

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Section IV: Report	N/A	Yes	No	W/P
7. Does the auditor's report describe the responsibility the auditor is taking for supplementary information, including stewardship information? (AU 551; FAM 580.79)	—	—	—	—
8. a. When illegal acts involve funds received from other governmental entities, did the audit team satisfy itself that the audited entity notified the proper officials of those entities within a reasonable time? b. If the entity did not, or was unable to do so because the top official was involved, did the audit team report these acts to the officials of those other governmental entities? (GAGAS, par. 5.23)	—	—	—	—
9. Does the auditor's report include the following? a. Identification of which matters are reportable conditions and which of the reportable conditions are material weaknesses (GAGAS, par. 5.27) b. Reference to a separate letter, if applicable, describing nonreportable conditions (GAGAS, par. 5.28) c. Presentation of fraud, illegal acts, and reportable noncompliance with laws and regulations (GAGAS, par. 5.18)	—	—	—	—
10. When appropriate, did the audit team issue a separate report on fraud, abuse, or illegal acts or indications of such acts? (GAGAS, par 5.21)	—	—	—	—

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1003 - Financial Statement Audit Completion Checklist

Section IV: Report	N/A	Yes	No	W/P
11. Did the report disclose the status of all known, but uncorrected, significant or material findings and recommendations from prior audits that affect current audit objectives? (GAGAS par. 4.10)	—	—	—	—
12. Do the workpapers document a reasonable basis for the following? a. The opinion about whether the financial statements and disclosures comply in all material respects with generally accepted accounting principles (FAM 560) b. The conclusions on internal control c. The conclusions about compliance with laws and regulations and the requirements of FFMIA	—	—	—	—
13. Do the workpapers document a reasonable basis for reported findings, including the following? (FAM 590.05-06) a. Internal control weaknesses b. Instances of noncompliance with laws and regulations and the requirements of FFMIA	—	—	—	—

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Section IV: Report	N/A	Yes	No	W/P
<p>14. Do the findings include (where appropriate) the following?</p> <p>a. Condition (describe the existing situation)</p> <p>b. Criteria (state what we are comparing to)</p> <p>c. Cause (reflect reason or reasons why the condition and criteria differ)</p> <p>d. Effect (describe the result of the difference between the condition and criteria)</p>	—	—	—	—
<p>15. Are recommendations and suggestions reasonable, doable, and cost-effective?</p>	—	—	—	—
<p>16. Does the presentation of agency comments include the following?</p> <p>a. Type of comments obtained (oral, written)</p> <p>b. Title of the most senior official(s) involved</p> <p>c. Accurate characterization of general agreement or disagreement with the report</p> <p>d. Description of the substance of the comments</p> <p>e. Resolution of all substantive comments</p>	—	—	—	—

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Section V: GAO's Report Considerations	Yes
<p>1. Overall, does the report have the following characteristics?</p> <p>a. Professional (the work reflects an understanding of the issues, an awareness of the external environment, including sensitivity to relevant trends, and a practical approach to what can be done to deal with the problems noted)</p> <p>b. Accurate (presents information or findings accurately; contains no notable errors in logic or reasoning)</p> <p>c. Objective (presentation is fair and impartial; tone is constructive and objective)</p> <p>d. Fact-based (states information and findings completely, includes all necessary facts and/or explanations, distinguishes between fact and unproven or uncorroborated material, resolves conflicting evidence)</p> <p>e. Balanced (presents sound and logical evidence to support conclusions, does not use adjectives or adverbs to characterize evidence in a way that implies criticism or conclusions by innuendo, appropriately recognizes positive aspects of the programs or issues reviewed)</p> <p>f. Timely and useful (provides relevant and timely information)</p> <p>g. Clear and concise (presentation is clear, concise, and well organized; message is presented logically; writing style is adapted to the audience)</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>

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Section VI: GAO's Quality Control	N/A	Yes	No	W/P
<p>1. Was the report reviewed by the following?</p> <p>a. Audit Director</p> <p>b. Office of the General Counsel</p> <p>c. Chief Accountant</p> <p>d. Second Partner</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p>
<p>2. Did the audit director review the following? (FAM 1301.17)</p> <p>a. General risk analysis or equivalent</p> <p>b. Account risk analyses or equivalent for material areas with high combined risk</p> <p>c. Memoranda on key accounting and auditing issues</p> <p>d. Summary memoranda for material areas with high or moderate combined risk</p> <p>e. Management representation letter</p> <p>f. Legal representation letter</p> <p>g. Summary of unadjusted misstatements</p> <p>h. Audit summary memorandum</p> <p>i. Exit conference memorandum</p> <p>j. Financial statements</p> <p>k. GAO workpaper set (FAM 1301.17)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>

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Section VI: GAO's Quality Control	N/A	Yes	No	W/P
3. Did the assistant director review the following? (FAM 1301.17)				
a. Entity profile or equivalent	___	___	___	___
b. General risk analysis or equivalent	___	___	___	___
c. Account risk analyses or equivalent	___	___	___	___
d. Initial audit programs	___	___	___	___
e. Lead schedules	___	___	___	___
f. Completed audit programs	___	___	___	___
g. Memoranda on key accounting and auditing issues	___	___	___	___
h. Summary memoranda	___	___	___	___
i. Checklist for reports prepared under the CFO Act (for statements using GAAP promulgated by FASAB)	___	___	___	___
j. Financial reporting and disclosure checklist (for statements using GAAP promulgated by FASB)	___	___	___	___
k. Management representation letter	___	___	___	___
l. Legal representation letter	___	___	___	___
m. Summary of unadjusted misstatements	___	___	___	___
n. Exit conference memorandum	___	___	___	___
o. Audit summary memorandum	___	___	___	___
(continued on next page)				

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Section VI: GAO's Quality Control	N/A	Yes	No	W/P
3. (continued)				
p. Financial statements	—	—	—	—
q. GAO workpaper set (FAM 1301.17)	—	—	—	—
4. Did the assistant director or audit manager determine that all significant review notes were resolved appropriately? (FAM 1301.24)	—	—	—	—
5. Did an assistant director initial all workpaper bundle covers to indicate that all workpapers were sufficiently reviewed? (FAM 1301.05)	—	—	—	—
6. Were review notes, superseded versions of workpapers, and draft reports (except the referenced draft and the draft sent to the agency for comment), including review notes and superseded versions in electronic form, placed in a separate folder to be retained until the report is issued (unless the audit director decides to retain them until the next audit)? (FAM 1301.24)	—	—	—	—
7. Were review responsibilities communicated to all individuals on the assignment? (FAM 1301.19)	—	—	—	—
8. Were workpapers prepared by an information systems auditor subject to review by an information systems auditor for technical content and to review by a member of the audit team to determine that related audit objectives were achieved? (FAM 1301.20)	—	—	—	—

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Section VI: GAO's Quality Control	N/A	Yes	No	W/P
9. For areas that are both material and have high combined risk, did the audit director or assistant director perform secondary reviews of the workpapers? (FAM 1301.12)	___	___	___	___
10. Were all workpapers prepared by the audit director or assistant directors read by audit managers or auditors in charge to determine their consistency with any related workpapers? (FAM 1301.15)	___	___	___	___
11. If the workpapers indicated a difference of opinion between engagement personnel or between engagement personnel and a specialist or other person consulted, was the difference resolved appropriately and was the basis of the resolution documented? (FAM 1302)	___	___	___	___

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Section VII: Explanation of "NO" Answers and Other Comments

The following pages are provided for comments on all "no" answers or to expand upon any of the "yes" answers.

Page no.	Question no.	<u>Explanatory comments</u>	<u>Disposition of comments</u>
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Section VIII: Conclusions: Based on your review and knowledge, do you believe the following?	Yes	No*
1. The audit team performed the engagement, in all material respects, in accordance with generally accepted government auditing standards (which include generally accepted auditing standards) and applicable OMB guidance or the auditor's report was appropriately modified	___	___
2. The financial statements conformed, in all material respects, with generally accepted accounting principles or the auditor's report was appropriately modified	___	___
3. The auditor's report was appropriate in the circumstances	___	___
4. The documentation on this engagement supports: The auditor's opinion on the financial statements The auditor's conclusions on internal control The auditor's conclusions on compliance with laws and regulations and the requirements of FFMIA	___ ___ ___	___ ___ ___
5. The audit team complied in all material respects with the audit organization's policies and procedures	___	___

* If any of the above 5 statements have "no" responses, please describe the response in a memorandum to the reviewer.

Date of completion of field work _____

Audit Manager _____ Date _____

Assistant Director _____ Date _____

Audit Director _____ Date _____

Reporting
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Section IX: Second Partner's Concurrence

Objective of second partner review: To objectively review significant auditing, accounting, and reporting matters and to conclude, based on all facts the second partner has knowledge of, that no matters were found that caused the second partner to believe that (1) the audit was not performed in accordance with Government Auditing Standards and OMB audit requirements (if applicable), (2) the financial statements are not, in all material respects, in accordance with generally accepted accounting principles, and (3) the report does not meet professional standards and GAO's policies and core values.

Procedures: Before the report was issued, I performed the following procedures.

- Discussed significant auditing, accounting, and reporting issues with the first partner (Audit Director),
- Discussed the audit team's identification of high-risk balances and transactions and the audit of those balances and transactions,
- Reviewed documentation on the resolution of significant auditing, accounting, and reporting issues, including documentation of consultation with specials such as the Chief Accountant, Statistician and IS professionals,
- Reviewed the summary of unadjusted misstatements,
- Read the financial statements and audit report,
- Confirmed with the first partner that there are no unresolved issues.

Conclusion:

Based on all the relevant facts of which I have knowledge, I found no matters that cause me to believe that (1) the audit was not performed in accordance with Government Auditing Standards and OMB audit requirements (if applicable), (2) the financial statements are not, in all material respects, in accordance with generally accepted accounting principles, and (3) the report is not in accordance with professional standards and GAO's policies and core values.

Second Partner Name and Title

Signature

Date

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Section X: Chief Accountant's Concurrence

When the Chief Accountant is not the second partner, the Chief Accountant should read the report. The Chief Accountant should then sign the conclusion below.

Conclusion:

Based on my reading of the report, I found no matters that cause me to believe that (1) the audit was not performed in accordance with Government Auditing Standards and OMB audit requirements (if applicable), (2) the financial statements are not, in all material respects, in accordance with generally accepted accounting principles, and (3) the report is not in accordance with professional standards and GAO policies and core values.

Chief Accountant's Signature

Date

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Reporting

1004 - FINANCIAL REPORTING: CHECKLIST FOR REPORTS PREPARED UNDER THE CFO ACT

Will be available approximately January 2001.

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Reporting

1005 - SUBSEQUENT EVENTS REVIEW

- .01 This section deals with the subsequent events review that the auditor is required to perform as part of the audit, as described in section 550. AU 560 describes and provides guidance on the types of subsequent events requiring evaluation by the auditor as well as the procedures that generally should be performed to discover whether such events have occurred.
- .02 Subsequent events are those events or transactions that may occur or become known subsequent to the date of the financial statements but before the audit report is issued and that have a material effect on the financial statements and thus require adjustment or disclosure.
- .03 Two types of subsequent events may occur:
- Events occurring after the date of the financial statements that provide additional information about conditions existing at the date of the financial statements and that affect amounts recorded (or which should be recorded) in the financial statements. For example, a subsequent event may reveal that an accounting estimate is materially incorrect and that the financial statements should be adjusted.
 - Events occurring after the date of the financial statements that provide information about conditions that did not exist at the date of the financial statements. These events should not result in adjustments to the financial statements, but disclosure of them may be necessary to prevent the statements from being misleading. For example, a fire or flood after year-end may cause a significant loss.
- .04 The purpose of a subsequent events review is to determine whether all subsequent events that have a material effect on the financial statements have been considered and treated appropriately in the financial statements. The subsequent period covered is from the date of the financial statements to the date of the audit report, which is the date of the completion of fieldwork.

AUDIT PROCEDURES

- .05 At or near the completion of fieldwork, the auditor generally should perform specific procedures to be satisfied that he or she is aware of all subsequent events that may require adjustment to or disclosure in the financial statements. These procedures are in addition to substantive tests that may

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be applied to transactions occurring after the date of the financial statements, such as examining subsequent disbursements to test completeness of accounts payable. The following program describes audit procedures that may be performed as part of a subsequent events review. The procedures generally should be customized for the particular audited entity.

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Entity_____

Period of financial statements_____

Job code_____

Subsequent Events Review Program Audit procedure	Done by/date	W/P ref
<p>I. Read Interim Financial Statements</p> <p>A. Compare the latest available interim financial statements, if any, with the financial statements under audit to identify any unusual adjustments and investigate any significant variations.</p> <p>B. Inquire as to whether the interim statements have been prepared on the same basis as the annual statements.</p> <p>C. For items in the statement of net costs, compare to similar interim financial statements of the prior year; consider expectations and investigate any significant variations.</p> <p>D. If interim financial statements are not available:</p> <ol style="list-style-type: none"> 1. Compare interim internal financial reports or analyses, budgets, or cash-flow forecasts, considering any adjustments to the internal reports that may be necessary to make meaningful comparisons. 2. Review the accounting records prepared since the date of the financial statements for material transactions that may require adjustment to or disclosure in the financial statements, such as by scanning the general ledger and/or journals for material, unusual entries. 		

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<p align="center">Subsequent Events Review Program Audit procedure</p>	<p align="center">Done by/date</p>	<p align="center">W/P ref</p>
<p>II. Make Inquiries of Management as to:</p> <p>A. Whether any significant contingent liabilities or commitments existed at the date of the financial statements or at the date of the inquiry.</p> <p>B. Whether any significant changes occurred in the financial condition of the entity or in net position or long-term debt.</p> <p>C. The current status of items in the financial statements that were accounted for on the basis of tentative, preliminary, or inconclusive data.</p> <p>D. Whether any significant changes in estimates were made with respect to amounts included or disclosed in the financial statements, or any significant changes in assumptions or factors were considered in determining estimates.</p> <p>E. Whether any unusual adjustments have been made during the period from the date of the financial statements to the date of inquiry.</p> <p>F. Whether any significant events occurred subsequent to the date of the financial statements, such as commitments or plans for major capital expenditures; lawsuits filed or settled other than those disclosed in the lawyers' letters; changes in accounting and financial policies; or losses as a result of fire, flood, or other disaster.</p>		

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Subsequent Events Review Program Audit procedure	Done by/date	W/P ref
<p>III. Read Minutes</p> <p>A. Read the available minutes of meetings of agency management committees or other appropriate groups, including the period after the date of the financial statements, for information about events or transactions authorized or discussed which may require adjustment to or disclosure in the financial statements.</p> <p>B. With regard to meetings for which no minutes are available, inquire about matters dealt with at such meetings and conclusions reached.</p>		
<p>IV. Cover Subsequent Events in Lawyers' Letters</p> <p>A. Confirm litigation, claims, and assessments with the entity's legal counsel. See section 550 and AU 337.</p>		
<p>V. Cover Subsequent Events in Management Representation Letter</p> <p>A. Have management include representations in its management representation letter as to whether any events occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements. See section 1001.</p>		

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Subsequent Events Review Program Audit procedure	Done by/date	W/P ref
<p>VI. Other</p> <p>A. Use other sources of information to learn of subsequent events, such as:</p> <ol style="list-style-type: none"> 1. Talk to inspector general or internal audit department. 2. Talk to program divisions. 3. Read newspapers. <p>B. Make additional inquiries or perform additional procedures deemed necessary to resolve any questions raised in the foregoing audit steps.</p> <p>C. Prepare a summary memo documenting the results of the above and conclusions reached.</p>		

Reporting

1006 - RELATED PARTIES REVIEW

- .01 This section deals with the related parties work that the auditor is required to perform as part of the audit, as described in sections 280 and 550. AU 334 provides guidance on the work that should be done to identify related party relationships and transactions so that the auditor may satisfy him or herself that they are appropriately accounted for and disclosed.
- .02 The reason for disclosing related party information is that the user of the financial statements may need that information to make appropriate decisions. If parties are related, the transactions between them may not be based on an arm's length relationship. For example, if the entity has transactions with another entity based on a common control situation, the users of financial statements should know that.
- .03 Information on accounting and disclosure of related party relationships and transactions are in FASB Statement Number 57 (AC section R36 in the *Current Text*). Related parties include affiliates of the audited entity; pension plans managed by the entity; management; management's immediate families; other parties that can significantly influence the management or operating policies of the audited entity (or those which can be influenced by it). Transactions between related parties often occur in the normal course of business. They are considered related party transactions even if they are not given accounting recognition, such as when an entity receives services from a related party without charge.
- .04 In the federal government, the major related parties relate to the rest of the federal government. This would include the provision of services to the agency by other agencies, with or without a transfer of funds, such as the General Service Administration, the Department of Labor for workers' compensation, the Department of Agriculture payroll functions, pension plans and other retiree benefits from the Office of Personnel Management, administration of legal actions by the Justice Department, and the use of public funding, including public borrowings which may in part be attributable to the agency. Examples of transactions with governmental related parties include transactions related to donated space, detailees, and intragovernmental receivables and payables.
- .05 Other possible related parties outside of government would be management and individuals and firms with which members of management may be

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related. These relationships may be detected by reviewing financial disclosure statements. Work done to test transactions with such parties should be coordinated with sensitive payments work, as discussed in paragraph 280.05.

- .06 The auditor also should be aware of and inquire about other parties that may or may not be related parties, but that should be disclosed because of a public perception that they may be related. Even if they are not related parties, or if there may be some question as to whether they are related, the relationship that does exist should be disclosed. For example, organizations exist with names and missions similar to legislative service organizations on Capital Hill, and disclosure of these organizations improves the legislative service organizations' disclosure.
- .07 Disclosures generally should include disclosure of the nature of the relationship between the entity and its related parties, a description of the transactions, including donations, dollar amounts of transactions that occurred during the period, and amounts due to or from related parties as of the end of the period. Disclosures could include aggregation of similar transactions by type; sometimes the disclosure of the relationship may be enough. In cases of common control relationships, the nature of the control relationship generally should be disclosed even though there are no transactions between the entities.
- .08 Disclosure of related party transactions is not required for transactions between parts of the audited entity that are eliminated in consolidation. However, if separate statements of the parts are issued, the disclosures should be presented.
- .09 AU 334 (SAS 45) states that the auditor should be aware that the substance of related party transactions may be different from their legal form, for example, borrowing or lending at rates or terms differing from market rates and terms, or selling property at prices differing from fair values.
- .10 The auditor should consider the possible existence of related parties and related party transactions throughout the audit to satisfy him or herself that they are properly accounted for and disclosed. The workpapers generally should include the names of related parties so all audit staff may become aware of transactions with them.

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- .11 The management representation letter should include a representation that related party transactions have been properly accounted for and disclosed. If management refuses to disclose related party transactions, the auditor generally should give a qualified or adverse opinion because of the inadequate disclosure and include the necessary disclosures in a separate paragraph in the audit report.

AUDIT PROCEDURES

- .12 Following are examples of audit procedures that may be performed. The steps should be customized for the particular audited entity.

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Entity_____

Period of financial statements_____

Job code_____

Related Parties Review Program Audit procedure	Done by/date	W/P ref
I. Planning Phase A. Consider the existence of related parties and related party transactions throughout the audit.		

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Related Parties Review Program Audit procedure	Done by/date	W/P ref
<p>B. Determine the existence of related parties and identify transactions with them.</p> <ol style="list-style-type: none"> 1. Request from management the names of all related parties and inquire whether there were transactions with them during the period. 2. Identify as either a supplier or a customer the other entities the audited entity does significant business with. 3. Determine whether the audited entity receives donated services, such as space or detailed employees. 4. Review prior-year workpapers for names of known related parties. 5. Inquire of other auditors as to related parties. 6. Review financial disclosure statements of appropriate levels of management for the names of possible related parties and other entities in which members of management may occupy directorships or management positions. 7. Inquire of auditors of related entities with which the audited entity has material transactions about their knowledge of relationships and the extent of management involvement in material transactions. 		

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<p align="center">Related Parties Review Program Audit procedure</p>	<p align="center">Done by/date</p>	<p align="center">W/P ref</p>
<p>C. Identity transactions with related parties</p> <ol style="list-style-type: none"> 1. Provide audit staff with names of known related parties so they may become aware of transactions with them during the audit. 2. Review minutes of management committees for information about material transactions authorized or discussed. 3. Review financial disclosure or other conflict of interest statements of management. 4. Review the extent and nature of business with major customers, suppliers, borrowers, and lenders for indications of previously undisclosed relationships. 5. Consider whether transactions are occurring, but are not being given accounting recognition, such as receiving or providing (a) space, (b) detailees, (c) accounting, (d) management, or (e) other services at no charge. 6. Review accounting records for large, unusual, or nonrecurring transactions or balances, especially near the end of the period. 		
<p>II. Internal control phase</p> <ol style="list-style-type: none"> A. Identify the systems and controls the audited entity has in place for identifying and properly accounting for transactions with related parties. B. Determine whether the controls are in place and operating effectively. 		

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<p align="center">Related Parties Review Program Audit procedure</p>	<p align="center">Done by/date</p>	<p align="center">W/P ref</p>
<p>III. Testing phase</p> <p>A. The auditor should satisfy himself or herself about the purpose, nature, and extent of material related party transactions and their effect on the financial statements by examining selected transactions.</p> <ol style="list-style-type: none"> 1. Examine documentation, such as invoices, contracts, and receiving and shipping reports. 2. Obtain an understanding of the business purpose of the transaction. 3. Determine whether the transaction has been appropriately approved. 4. Test the compilation of amounts that may be disclosed in the financial statements for reasonableness. 5. For interagency account balances, audits generally should be performed as of concurrent dates, with appropriate exchange of relevant information. 		
<p>B. The following procedures may be considered if necessary to fully understand a particular related party transaction.</p> <ol style="list-style-type: none"> 1. Confirm transaction terms and amounts with the other party to the transaction. 2. Inspect evidence possessed by the other party. 3. Confirm or discuss significant information with intermediaries such as banks or agents. 		

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<p align="center">Related Parties Review Program Audit procedure</p>	<p align="center">Done by/date</p>	<p align="center">W/P ref</p>
<p>IV. Reporting phase</p> <ul style="list-style-type: none"> A. Have management include in the management representation letter a representation that related party transactions have been properly recorded and disclosed. B. Consider whether sufficient, competent evidential matter has been obtained for each material related party transaction, aggregation of similar transactions, or common control relationship to understand the relationship of the parties and the effects on the financial statements. C. Conclude whether related party transactions and control relationships have been adequately accounted for and disclosed in the financial statements. 		