



EXECUTIVE OFFICE OF THE PRESIDENT  
OFFICE OF MANAGEMENT AND BUDGET  
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OMB BULLETIN NO. 21-04

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-E, implements the audit provisions of the Chief Financial Officers Act of 1990 (CFO Act) (Pub. L. No. 101-576), as amended, the Government Management Reform Act of 1994 (GMRA) (Pub. L. No. 103-356), and the Federal Financial Management Improvement Act of 1996 (FFMIA) (Pub. L. No. 104-208, title VIII). The requirements of this Bulletin are set forth in the attachment.
2. **Authority:** The Bulletin is issued under the authority of title 31 of the United States Code, chapters 5 and 35.
3. **Applicability:** The provisions of this Bulletin apply to audits of financial statements of Executive Branch departments and agencies (Appendices A and C) and certain components thereof (Appendix B), and Government corporations (Appendix D).
4. **Rescissions:** The provisions of this Bulletin supersede the provisions in OMB Bulletin 19-03, *Audit Requirements for Federal Financial Statements*.
5. **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 reporting entity head in sufficient time to enable the agency head to meet the deadline for submitting the audited financial statements.
6. **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.
7. **Copies:** Individual copies of this bulletin may be obtained from the OMB website at [Bulletins | The White House](#).

A handwritten signature in cursive script that reads "Shalanda D. Young".

Shalanda D. Young  
Acting Director

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## SUMMARY OF KEY CHANGES

| Section Title  | Paragraph Number(s) | Changes  |
|--|---------------------|--|
| Multiple   | Multiple            | Updated AU-C reference to reflect current suffix “B,” e.g., AU-C 600B                                |
| Section 2, Definitions   | 2.1                 | Deleted reference to RSSI pursuant to SFFAS 57, <i>Omnibus Amendments 2019</i> .                     |
| Section 2, Definitions   | 2.2                 | Added an explanation for the “B” suffix to the AU-C citations.                                       |
| Section 2, Definitions   | 2.6                 | Added reference to A-136 to U.S. GAAP definition.  |
| Section 2, Definitions   | 2.9                 | Added reference to FAM Section 630.  |
| Section 2, Definitions   | 2.13                | Modified definition of Management Letter.  |
| Section 5, Communication   | 5.1                 | Updated to refer to AU-C Section 701.  |
| Section 5, Communication   | 5.6                 | Added reference to “emphasis-of-matter” paragraph.   |
| Section 6, Scope of the Audit  | 6.6                 | Deleted reference to RSSI pursuant to SFFAS 57, <i>Omnibus Amendments 2019</i> .                     |
| Section 6, Scope of the Audit  | 6.13                | Added a reference to FAM sections.   |
| Section 6, Scope of Audit  | 6.15                | Streamlined paragraph for requirements pertaining to Reclassification Note for significant entities. |
| Section 6, Scope of Audit  | 6.18                | Added a reference to FAM section 630.  |
| Section 7, Reporting   | 7.8 and 7.10        | Deleted reference to RSSI pursuant to SFFAS 57, <i>Omnibus Amendments 2019</i> .                     |
| Section 7, Reporting   | 7.19                | Updated to reflect GAGAS 2018-6.41b.   |
| Section 7, Reporting   | 7.22                | Updated text regarding the reporting of views of responsible officials.                              |
| Section 8, Written Representations   | 8.4                 | Modified to explain potential ADA violation disclosures consistent with the FAM.                     |
| Section 9, Legal Representation Letter   | 9.3                 | Added TFM reference for management schedules.  |
| Section 10, Communicating Other Deficiencies   | 10.1                | Clarified text.  |
| Section 11, Agreed-Upon Procedures: Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semi-Annual Headcount Report | 11.1                | Added a reference to SSAE 19.  |

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| Submitted to OPM  |  |  |
| Section 11, Agreed-Upon Procedures: Retirement, Health Benefits, and Life Insurance Withholdings/Contributions and Supplemental Semi-Annual Headcount Report Submitted to OPM | 11.10                                    | Deleted OPM contact for hardcopies; information should only be emailed to OPM.   |
| Appendix B  | N/A                                      | Deleted footnote for OI Payment Integrity information to reflect changes made to OMB Circular A-136. Deleted USDA's Food and Nutrition Service in light of audit results since 2005.   |
| Appendix D  | N/A                                      | Deleted the Overseas Private Investment Corporation, which has been eliminated, and added the recently created U.S. International Development Finance Corporation.   |
| Appendix E  | Representations 2, 6, 12, 13, 44, and 54 | Updated Representation 6 to reflect updates to the FAM. Clarified Representations 12 and 13 pertaining to related parties, disclosure entities, and public-private partnerships. Updated Representation 44 pertaining to potential ADA violations to reflect updates to the FAM. Updated various representations to reflect the elimination of RSSI pursuant to SFFAS 57, Omnibus Amendments 2019. |

# AUDIT REQUIREMENTS FOR FEDERAL FINANCIAL STATEMENTS

## SECTION 1: BACKGROUND

1.1 The Government Management Reform Act of 1994 (GMRA) (Pub. L. No. 103-356) expanded the Chief Financial Officers Act of 1990 (CFO Act) (Pub. L. No. 101-576) by requiring, among other things, the annual preparation and audit of organization-wide financial statements of the Executive Branch departments and certain Executive Branch independent agencies (CFO Act agencies, Appendix A). The GMRA also requires audited financial statements of components of Executive Branch 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 of 2002 (ATDA) (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 Branch independent agencies not already required to do so through another provision of Federal law (Appendix C).

1.3 Chapter 91 of title 31, United States Code, 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** (financial statements) mean the financial statements of a reporting entity as described in 31 U.S.C. §3515 and OMB Circular A-136, *Financial Reporting Requirements*, as revised (A-136). The "Annual Financial Statements" consist of:

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

Basic Financial Statements, including:

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 Information (RSI), if applicable

Other Information, if applicable

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). Generally Accepted Government Auditing Standards (GAGAS) incorporate by reference SASs issued by the AICPA. As a result, auditors performing audits of financial statements in

accordance with GAGAS should comply with the incorporated SASs and the additional requirements of GAGAS. Auditors should not implement SASs 134-140 early, as reflected by the addition of the “B” suffix to the affected auditing standards citations throughout this Bulletin.<sup>1</sup>

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.

2.5 **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.

2.6 **U.S. Generally Accepted Accounting Principles (U.S. GAAP)** for Federal Government entities are promulgated by the Federal Accounting Standards Advisory Board (FASAB). 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* prescribes the U.S. GAAP hierarchy, which 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. Pursuant to SFFAS 34, paragraph 5, the hierarchy of U.S. GAAP may include source implementation guidance such as A-136 to the extent it reflects “practices widely recognized and prevalent” in the Federal Government.

2.7 **Government Accountability Office/Council of the Inspectors General on Integrity and Efficiency Financial Audit Manual (GAO/CIGIE FAM)** provides methodology and guidance for conducting audits of Federal financial statements in accordance with relevant auditing standards and OMB guidance. References to the GAO/CIGIE FAM do not establish requirements for auditors.

2.8 **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.<sup>2</sup>

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<sup>1</sup> To assist auditors and firms that do not implement SAS Nos. 134–140 prior to December 15, 2021, a “Pre-SAS No. 134” edition of the auditing standards (the AU-C sections) in AICPA Professional Standards is now available. This edition contains SAS Nos. 122–133, as amended, and remains effective through 2021 and should be followed when SAS Nos. 134-140 have not been implemented. Each AU-C section in this edition is designated with a “B” suffix (for example, “AU-C section 200B”) to denote content that does not reflect the codification of SAS Nos. 134-140 or the amendments to other SASs made by SAS Nos. 134-140. Upon implementation of SAS Nos. 134-140, auditors and firms should no longer use this edition.

<sup>2</sup> GAO, *Government Auditing Standards 2018 Revision*, GAO-18-568G (Washington, D.C., July 17, 2018).

2.9 **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 600B, *Audits of Group Financial Statements (Including the Work of Component Auditors)*, for additional guidance/requirements when performing an audit of group financial statements. See also GAO/CIGIE FAM Section 630, *Audits of Group Financial Statements*.

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

2.11 **Internal Control** is a process effected by those charged with governance, management, and other personnel that provides reasonable assurance that the objectives of the entity will be achieved. These objectives and related risks can be broadly classified into one or more of the following three categories: 1) operations – effectiveness and efficiency of operations, 2) reporting – reliability of reporting for internal and external use, and 3) compliance – compliance with applicable laws and regulations.<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 A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, 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. GAAP, 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 use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the Basic Financial Statements.

2.12 **Intragovernmental** means activity and balances occurring within a Federal entity (i.e., intra-entity) and between Federal entities (i.e., inter-entity).

2.13 **Management Letter** is one means of communication prepared by the auditor that discusses findings and recommendations for improvements in internal control, which were identified during the audit (see Paragraph 5.4).

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

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

<sup>4</sup> Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussion and Analysis*.



MD&A is included in the Agency Financial Report (AFR) or Performance and Accountability Report (PAR) as RSI. 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 over financial reporting, 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 a reporting entity's FMFIA Statement of Assurance 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 financial statements are prepared because either there is a statutory or administrative requirement or management chose to prepare financial statements.

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 **Significant Entities** refer to Federal entities deemed significant in the U.S. Government's most recent consolidated financial statements (CFS). The 24 Chief Financial Officers Act entities and additional entities are identified by the Department of the Treasury (Treasury) as significant entities in the *Treasury Financial Manual* (TFM) TFM 2-4700 appendix 1a.

2.19 **U.S. Standard General Ledger** (USSGL) means the uniform chart of accounts prescribed in the TFM.

### **SECTION 3: FREQUENCY OF AUDIT**

3.1 Audits will be performed annually. To support the CFS audit, significant entities, as identified in TFM 2-4700, with a calendar year-end are required to obtain audit assurance on certain line items as of September 30. These entities are the Farm Credit System Insurance Corporation, Federal Deposit Insurance Corporation, and National Credit Union Administration. These entities may refer to TFM 2-4700 section 4705.40 for additional guidance.

### **SECTION 4: RESPONSIBILITY FOR AUDIT**

For purposes of this Bulletin, the following responsibilities apply:

4.1 For the CFO Act agencies and selected components of such agencies (listed in Appendices A

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<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 265B, *Communicating Internal Control Related Matters Identified in an Audit*.

<sup>6</sup> Consistent with AU-C 260B, *The Auditor's Communication With Those Charged With Governance*, GAGAS 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.

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 Government corporations and the executive agencies subject to the ATDA, 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, as amended, provides that, in lieu of an audit otherwise required, the Comptroller General of the United States may, following consultation with the OIG, perform the audit of the CFO Act executive departments and agencies, as well as Government corporations 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.

Management's agreement should be in writing and may be incorporated as part of the audit engagement letter, as shown in the examples in GAO/CIGIE FAM Section 215 A (AU-C 210B.10 and .A42). In accordance with AU-C 701, *Communicating Key Audit Matters in the Independent Auditor's Report*, auditors are not required to communicate key audit matters in the auditor's report unless the auditor has been engaged to do so. For Federal reporting entities covered by reporting requirements in A-136, such engagement (as described in AU-C 701) is not required.<sup>7</sup>

5.2 Communications with the reporting 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>8</sup> Auditors should refer to AU-C 260B, *The Auditor's Communication With Those Charged With Governance*. Auditors should also refer to GAGAS 6.06 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**, including all changes that could cause the reporting entity to be unable to issue its AFR/PAR by the deadline set in A-136;
- Significant issues regarding the preparation and audit of the financial statements (including potential delays in the timely issuance of the auditor's report); 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; non-compliance with provisions of laws, regulations, contracts, and grant agreements; and any findings that could delay issuance of the audit report. For some matters, early communication to those charged with

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<sup>7</sup> AU-C 701 is applicable to audits of financial statements for periods ending on or after December 15, 2021.

<sup>8</sup> GAGAS 3.09.

governance or management may be important because of the relative significance and the urgency for corrective follow-up action.<sup>9</sup>

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 450B, *Evaluations of Misstatements Identified During the Audit*, and are encouraged to use the guidance in GAO/CIGIE FAM Section 540, *Evaluate Effects of Misstatements on Financial Statements and Auditor's Reports*, for reviewing misstatements with management.

5.4 Auditors may recommend actions to correct deficiencies identified during the audit and to improve controls over financial reporting. When provided, such recommendations should be included in the auditor's report on internal control over financial reporting; in a separate report, memorandum, management letter, or other written communication; or communicated orally.<sup>10</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 a reporting entity 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 reporting entity'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 708B, *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>11</sup> then the auditor will include an emphasis-of-matter paragraph (in accordance with AU-C 708B) in the auditor's report as listed in Paragraph 7.7 and advise the reporting entity's management promptly to:

- Issue revised prior fiscal year financial statement(s) before issuing the current fiscal year's financial statements;
- Communicate the issuance of the revised financial statements to those charged with governance, oversight bodies, funding agencies, and others who are relying or are likely to rely on the financial statement(s). This includes communication (1) in writing to the Congress, OMB, Treasury's Bureau of Fiscal Service (Fiscal Service), and GAO, and (2)

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<sup>9</sup> AICPA AU-C 265B, *Communicating Internal Control Related Matters Identified in an Audit*.

<sup>10</sup> GAGAS 6.50-6.52.

<sup>11</sup> Imminent means within 90 calendar days of the subsequent-period financial statements planned issue date.

to the public on the Internet pages where the reporting entity's previously issued financial statements that were affected by the material misstatement(s) are published; and

- Disclose the following in the agency's restatement note:
  - (1) the nature of the error in the previously issued financial statements (for example, whether the restatement relates to an omission or misstatement or whether the restatement was caused by misapplication of an accounting policy, fraud, mathematical error, etc.), and
  - (2) the effect of its correction on relevant balances (for example, the amount of the restatement, fiscal year and financial statement line item(s) impacted).

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 the 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 708B) in the auditor's report as listed in Paragraph 7.7 and advise the reporting entity'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 (1) in writing to the Congress, OMB, Fiscal Service, and GAO, and (2) to the public on the Internet pages where the reporting entity's previously-issued financial statements that were affected by the material misstatement(s) are published; and
- Disclose the following in the agency's restatement note:
  - (1) the nature of the error in the previously issued financial statements (for example, whether the restatement relates to an omission or misstatement or whether the restatement was caused by misapplication of an accounting policy, fraud, mathematical error, etc.), and
  - (2) the effect of its correction on relevant balances (for example, the amount of the restatement, fiscal year and financial statement line item(s) impacted).

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 7.8 when issuing the auditor's report and advise the reporting entity'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 GAGAS and the provisions of this Bulletin.

6.2 The auditor will determine whether the Basic Financial Statements present fairly, in all material respects, the 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 U.S. GAAP.

6.3 If consolidating statements are presented and the auditor is engaged to opine on whether such 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 725B, *Supplementary Information in Relation to the Financial Statements as a Whole*. Otherwise, such consolidating statements are considered other information and the auditor should apply the requirements of AU-C 720B, *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 Federal entity (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 financial statement audit (i.e., the amount should be subject to the same financial statement auditing procedures and materiality considerations as all other funding sources). As such, the two Federal entities 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 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 730B, *Required Supplementary Information*, for RSI (i.e., Management's Discussion and Analysis, Combining Statement of Budgetary Resources, Deferred Maintenance and Repairs, etc.) as defined by FASAB.

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

6.8 In accordance with AU-C 315B, *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. 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.

The auditor should obtain an understanding of the information system, including the related business processes relevant to financial reporting, including the following areas:

- 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 330B, *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 reporting entity identifies and evaluates weaknesses required to be reported under FMFIA and the related reporting entity's implementing procedures.

6.10 The auditor will compare material weaknesses disclosed during the audit with those material weaknesses reported in the reporting entity's FMFIA report that relate to the financial statements of the reporting 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 reporting 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 6.15 for additional requirements pertaining to the consideration of compliance with provisions of contracts and grant agreements).

## **Support for the U.S. Government Consolidated Financial Statements**

6.12 Intragovernmental activity and balances are a key component in the consolidation of the financial information submitted by Federal entities and in the overall compilation process of the CFS. Intragovernmental transactions include the sale of services or goods to another Federal entity, transfers of assets or budget authority between Federal entities, investments or borrowings with Treasury, and benefit-related transactions with the Department of Labor and the Office of Personnel Management. See the TFM 2-4700 for information related to: (1) management's responsibility for routinely recording, reconciling, resolving, and reporting intragovernmental transactions, (2) the quarterly and year-end requirements to reconcile and resolve the reported intragovernmental activity and balances, and (3) intragovernmental transactions metrics and scorecards. See also the GAO/CIGIE FAM, Volume 2, Section 902 for information related to auditing intragovernmental activity and balances.

6.13 The auditor should obtain an understanding of the control activities related to intragovernmental activity and balances, including identifying and recording intragovernmental transactions, reconciling intragovernmental transactions with Federal trading partners, resolving<sup>12</sup> intragovernmental differences with Federal trading partners, and reporting intragovernmental activity. See, in particular, the GAO/CIGIE FAM, Volume 2, Sections 902.18-902.21.

6.14 The auditor will inquire of the reporting entity to gain an understanding of and obtain copies of any adjusting journal entries Treasury recorded during its prior year consolidation process that impacted the reporting entity, including the underlying reason or issue that warranted the entry. This

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<sup>12</sup> See the GAO/CIGIE FAM Section 902.02.

inquiry should cover all journal entries, including those affecting intragovernmental and public line items. The auditor will consider the impact of the journal entries on current audit procedures.

6.15 Since fiscal year 2019, when the closing package was eliminated, CFS amounts and disclosures have been directly supported by information in significant entities' audited AFRs or PARs. For example, the audit procedures performed over the note pertaining to the reclassification of the significant entity's audited entity-level financial statements to the government-wide crosswalk are critical to the CFS preparation and audit process.

6.16 Significant entities' auditors should perform the procedures requested by GAO in the annual Communication Letter Related to the Audit of the Consolidated Financial Statements of the U.S. Government, such as for (1) the intragovernmental balances by trading partner reported by management to the Government-wide Treasury Account Symbol Adjusted Trial Balance (GTAS) system and (2) treaties and other international agreements.

6.17 The auditor will perform tests to determine whether the reporting entity's financial management systems comply substantially with FFMIA Section 803(a) requirements. This provision only applies to audits of CFO Act agencies and components thereof, including components that are Government corporations. 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. Government corporations and agencies subject to the ATDA 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.

### **Audits of Group Financial Statements**

6.18 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 600B, *Audits of Group Financial Statements (Including the Work of Component Auditors)* when conducting an audit of group financial statements. See also GAO/CIGIE FAM Section 630, *Audits of Group Financial Statements*. The following summarizes some of the requirements of a group audit.

6.19 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.

6.20 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.



6.21 There will be coordination and communication between the component auditors and group auditors to effectively and efficiently comply with the requirements of AU-C 600B. 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>13</sup>

6.22 A service organization is an organization or segment of an organization that provides services to user entities, which are likely to be relevant to those user entities' internal control over financial reporting. A user entity is an entity that uses a service organization for which controls at the service organization are likely to be relevant to that entity's internal control over financial reporting. A user auditor is an auditor who audits and reports on the financial statements of a user entity.

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

- Obtaining and reading a System and Organization Controls report, if available;<sup>14</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 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) the controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively throughout the specified period and subservice organizations and user entities applied the complementary controls assumed in

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<sup>13</sup> See detailed guidance in AU-C 402, *Audit Considerations Relating to an Entity Using a Service Organization*. See definitions of terms in AT-C 320, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*.

<sup>14</sup> These reports are referred to as System and Organization Controls (SOC) type 1 or type 2 service auditor's reports, which are prepared in accordance with the guidance in AT-C 320.

the design of the service organization's controls throughout the specified period, and (3) the controls operated effectively to provide reasonable assurance that the control objectives stated in the description were achieved throughout the specified period if complementary subservice organization and user entity controls assumed in the design of the service organization's controls operated effectively throughout the specified period.

6.24 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.

6.25 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 performing the procedures outlined in Paragraph 6.23 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.

6.26 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.

## **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 reporting entity head in sufficient time to enable the reporting entity head to meet the due date for submitting the audited financial statement, which is defined in A-136. 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 GAGAS and the provisions of this Bulletin. Auditors should refer to AU-C 700B, *Forming an Opinion and Reporting on Financial Statements*; AU-C 705B, *Modifications to the Opinion in the Independent Auditor's Report*; AU-C 706B, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*; AU-C 720B, *Other Information in Documents Containing Audited Financial Statements*; AU-C 730B, *Required Supplementary Information*; chapter 6 of GAGAS; and

the AICPA Audit Guide - *Government Auditing Standards and Single Audits* 4.48 and 4.89. (The GAO/CIGIE FAM contains illustrative reports at 595A.)

## **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. GAAP, or certain modifications as discussed in Paragraph 7.4.

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.

- 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.
- 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.
- 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.

7.5 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.

7.6 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**

7.7 When management restates a previously issued financial statement(s) to correct a material misstatement, 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 560B, 705B, 706B, and 708B). 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.

7.8 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 560B, 705B, 706B, and 708B). 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, Other Information, and Highlights**

7.9 When providing an opinion on supplementary information (such as consolidating information) in relation to the financial statements taken as a whole, the auditor will follow AU-C 725B.

7.10 When reporting on RSI, the auditor will follow AU-C 730B.

7.11 When reporting on other information in the AFR or PAR, the auditor will follow AU-C 720B.

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

### **Report on Internal Control Over Financial Reporting**

7.13 If not providing an opinion on internal control, the auditor should state that the auditor considered the reporting entity’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 265B, *Communicating Internal Control Related Matters Identified in an Audit*.)

7.14 Auditors should include in the auditor's report on the financial statements or in a separate report (1) significant deficiencies and material weaknesses in internal control over financial reporting, (2) a description of the significant deficiencies and material weaknesses and an explanation of their potential effects, and (3) 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 over financial reporting.<sup>15</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 265B.)

7.15 The report will state that the objective either (1) was not to provide an opinion on internal control and, therefore, the auditor 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 6.40-6.43.

7.16 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 AU-C 940B, *An Audit of Internal Control Over Financial Reporting That Is Integrated with an Audit of Financial Statements*.

7.17 The report will identify any material weaknesses identified in the audit that were not reported as material weaknesses in the reporting entity's FMFIA Statement of Assurance.

### **Report on Compliance with Laws, Regulations, Contracts, and Grant Agreements**

7.18 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

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<sup>15</sup> GAGAS 6.39-6.42.

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 6.15 for additional requirements pertaining to the consideration of compliance with provisions of contracts and grant agreements).

7.19 When auditors identify or suspect, based on sufficient, appropriate evidence, the following, they should include in their report on internal control or compliance the relevant information about: (1) fraud that is material, either quantitatively or qualitatively, to the financial statements or other financial data significant to the audit objectives; or (2) noncompliance with provisions of law, regulation, contracts, or grant agreements that has a material effect on the financial statements or other financial data significant to the audit objectives.

7.20 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 6.43.

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

7.21 When testing a reporting entity's compliance with FFMIA, the auditor should refer to Circular A-123, Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*. (See [Circulars | The White House](#)).

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. 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 one or more 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.

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

7.22 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 Paragraphs 6.57-6.60, Obtaining and Reporting the Views of Responsible Officials, of GAGAS for further guidance on how to report the views of responsible officials.)

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

### **Subsequent Discovery of Facts**

7.24 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 560B, *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.

7.25 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 560B, *Subsequent Events and Subsequently Discovered Facts*, paragraphs 16.b and 17.b.)

7.26 A-136 provides guidance on how entity management should report corrections of misstatements 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 580B, *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 580B, 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 used to compile the *Financial Report of the United States Government* (FR). The summary of uncorrected misstatements and adjusting entries should be prepared in the standardized spreadsheet format shown in the GAO/CIGIE FAM Section 595C, *Uncorrected Misstatements and Adjusting Entries*, updated in April 2020, and following the guidance in the TFM.

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 580B. 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 580B, "[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 reporting 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>16</sup> Representations pertaining to potential violations of the Antideficiency Act are limited to those that, if true, would have a material effect on the financial statements.

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 reporting entity's financial statements. AU-C 580B discusses specific representations that should be obtained from management. The representations obtained will depend on the circumstances of the engagement and the nature and basis of presentation of the financial statements. In addition to the representations given in AU-C 580B, 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 725B and AU-C 730B 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/CIGIE FAM Section 1001, *Management Representations*. The written representations from management presented in Appendix E and in the GAO/CIGIE FAM Section 1001A, *Example Management Representation Letter*, should be used as guidance and representations should be customized to the situation of the entity being audited or deleted if inapplicable. For significant entities, all representations from Appendix E will be included unless the representation contains a conditional "if" clause and the condition is not applicable. For significant entities with a calendar year-end, include representations 1, 5-21, 27-37, 41-44, 56, and 57 shown in Appendix E,

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<sup>16</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/CIGIE FAM Section 1001, *Management Representations*.



modified as necessary.

8.6 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 580B paragraphs .22 to .24.

8.7 For significant entities, notification must be sent by management to OMB, Fiscal Service, Main Treasury, and GAO 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 that have arisen after the written representations from management and financial statements have been submitted but before the date of the CFS audit report on the FR. See A-136, Section V.5, Written Representation from Management.

## **SECTION 9: LEGAL REPRESENTATION LETTERS AND MANAGEMENT SCHEDULES**

9.1 In accordance with AU-C 501B, *Audit Evidence - Specific Considerations for Selected Items*, the auditor will seek direct communication with the entity's internal or external (e.g., Department of Justice) counsel<sup>17</sup> via a letter of inquiry prepared by management to those lawyers with whom management consulted concerning litigation, claims, and assessments.<sup>18</sup> Responses to the inquiry will require management, working with internal counsel, to consult external counsel where lead representation was provided by external counsel. (See the GAO/CIGIE FAM Section 1002B, *Example Legal Letter Request*, to include requirements related to AU-C 501B, 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.)

9.2 Legal counsel will consider the guidance contained in the American Bar Association's *Statement of Policy Regarding Lawyers' 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, [Documents and Forms \(justice.gov\)](https://www.justice.gov/documents-and-forms) and see the GAO/CIGIE FAM Section 1002C, *Example Legal Representation Letter*, 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/CIGIE FAM Section 1002D, *Example Management Summary Schedule*, and the management schedule referenced in the TFM 2-4700, Section 4707.10, for the format to be used for

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<sup>17</sup> See GAO/CIGIE FAM Section 1002.21-23, *Legal Counsels from Whom Information Should be Requested*.

<sup>18</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/CIGIE FAM Section 1002, *Inquiries of Legal Counsel*.

the management 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. The management schedule should be provided as soon as practical after the legal letter response is provided to the auditor.

9.5 Updated legal responses will only include changes from the interim responses or a statement that there are no changes. Updated management schedules will be comprehensive (reflecting the interim schedule plus any changes), and the auditor may use the work performed on the interim schedule when verifying the updated schedule.

9.6 For significant entities, after applying applicable audit procedures, interim and updated (final) legal letters and management schedules will be submitted by the OIG to Fiscal Service, DOJ and GAO no later than the dates established in the TFM 2-4700, Reporting and Submission Dates. The OIG will inform GAO, DOJ, and Fiscal Service whether there were “no changes” or “changes” due to subsequent events that resulted in changes in the likelihood of loss or amount of loss for cases, or both, after the effective date of the final legal representation letter but before the CFS audit report date (per AU-C 230B, *Audit Documentation*). Contact information for these agencies can be found in A-136, Appendix B.

## **SECTION 10: COMMUNICATING OTHER DEFICIENCIES**

10.1 As codified in AU-C 265B, 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 should communicate, in writing or orally, these other deficiencies to management at an appropriate level of responsibility, on a timely basis. If other deficiencies in internal control are communicated orally, the auditor should document the communication. See 7.14 in regard to reporting material weaknesses and significant deficiencies.

## **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 AT-C 215, *Agreed-Upon Procedures Engagements*, as amended by SSAE 19, *Agreed-Upon Procedures Engagements*, and GAGAS Chapter 7. The AUPs are designed for the intended purpose of assisting 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 appropriateness of the procedures is solely the responsibility of the CFO of OPM and will be applied to the 12 months ended August 31 of each year.

11.2 Refer to [Payroll Office Agreed Upon Procedures \(opm.gov\)](https://www.opm.gov/policy-data-oversight/payroll-office-agreed-upon-procedures/) 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 CFO, in writing no later than July 15 at the email address referenced in 11.10 below, an alternative procedure that would accomplish the AUP's intended purpose. The OPM IG and OPM CFO will acknowledge whether the alternative procedure is appropriate for OPM's intended purpose. In addition, auditors will notify OPM's CFO by September 3 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 AT-C 215, as amended by SSAE 19, and GAGAS Chapter 7. This will assist and enhance OPM's ability to track each finding for all agencies.

11.10 Agencies will submit the report on the application of these procedures by email as a PDF to [FinancialBALS@opm.gov](mailto:FinancialBALS@opm.gov).

## **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 the reporting entity'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 A-50, *Audit Follow-up*.

12.2 The OIG is encouraged to use applicable provisions of GAO/CIGIE FAM Section 670, *IG Oversight of Audits Performed by Contracted Independent Public Accounting (IPA) Firms*, which provides guidance on designing procedures for the oversight of IPA firms contracted to perform financial statement audits and to assure that the IPA firms comply with the audit standards established by the Comptroller General of the United States.

### **SECTION 13: SIGNIFICANT DUE DATES AND CONTACT INFORMATION FOR FINANCIAL STATEMENTS AND RELATED REPORTS**

13.1 For a complete list of year-end financial reports and their respective due dates, please refer to A-136, Part I.5, Submission Deadlines and the TFM, Volume 1, Part 2, Section 4700. In addition, contact information is provided in A-136, Appendix B.

## **TABLE OF APPENDICES**

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Appendix E: Illustrative Written Representations From Management for the Financial Statements

## APPENDIX A: CFO ACT AGENCIES

### **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  
Environmental Protection Agency  
General Services Administration  
National Aeronautics and Space Administration  
National Science Foundation  
Office of Personnel Management  
Small Business Administration  
Social Security Administration  
United States Agency for International Development  
United States Nuclear Regulatory Commission

## APPENDIX B: COMPONENT ENTITIES

### COMPONENTS OF EXECUTIVE DEPARTMENTS AND AGENCIES REQUIRED TO PREPARE FINANCIAL STATEMENTS<sup>19</sup>

#### Department of Agriculture

Rural Development Mission Area

#### Department of Defense

Department of the Army General Funds  
Department of the Air Force General Funds  
U.S. Marine Corps General Funds  
U.S. Navy General Funds  
Military Retirement Fund  
U.S. Army Corps of Engineers Civil Works Program  
Department of the Army Working Capital Fund  
Department of the Navy Working Capital Fund  
Department of the 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 agency-wide financial statement level.

## APPENDIX C: ATDA AGENCIES

### **EXECUTIVE AGENCIES SUBJECT TO THE ACCOUNTABILITY OF TAX DOLLARS ACT (ATDA) REQUIRED TO PREPARE FINANCIAL STATEMENTS**

Access Board (f/k/a Architectural and Transportation Barriers Compliance Board)  
Administrative Conference of the United States  
Advisory Council on Historic Preservation  
American Battle Monuments Commission  
Appalachian Regional Commission  
Armed Forces Retirement Home  
Barry Goldwater Scholarship and Excellence in Education Foundation  
Central Intelligence Agency  
Chemical Safety and Hazard Investigation Board  
Commission for the Preservation of America's Heritage Abroad  
Commission of Fine Arts  
Committee for Purchase from People Who Are Blind or Severely Disabled (U.S. Ability One Commission)  
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 Foundation  
Institute of American Indian and Alaska Native Culture and Arts Development



Institute of Museum and Library Services  
Intelligence Community Management Account  
International Trade Commission  
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  
Northern Border Regional Commission  
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  
Peace Corps  
Postal Regulatory Commission  
Privacy and Civil Liberties Oversight Board  
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  
Surface Transportation Board  
U.S. Agency for Global Media (f/k/a Broadcasting Board of Governors)  
United States Commission on Civil Rights  
United States Court of Appeals for Veterans Claims  
United States Holocaust Memorial Museum  
United States Interagency Council on Homelessness  
United States Trade and Development Agency  
Vietnam Education Foundation

## APPENDIX D: GOVERNMENT CORPORATIONS

### **GOVERNMENT CORPORATIONS REQUIRED TO PREPARE FINANCIAL STATEMENTS**

Commodity Credit Corporation  
Community Development Financial Institutions Fund  
Corporation for National and Community Service (a/k/a AmeriCorps)  
Export-Import Bank of the United States  
Federal Crop Insurance Corporation  
Federal Deposit Insurance Corporation  
Federal Financing Bank  
Federal Home Loan Banks  
Federal Housing Administration  
Federal Prison Industries, Incorporated  
Financing Corporation  
Government National Mortgage Association  
Inter-American Foundation  
Millennium Challenge Corporation  
National Credit Union Administration Central Liquidity Facility  
Pension Benefit Guaranty Corporation  
Presidio Trust  
Resolution Funding Corporation  
Saint Lawrence Seaway Development Corporation  
Tennessee Valley Authority  
United States African Development Foundation  
United States International Development Finance Corporation

## APPENDIX E: ILLUSTRATIVE REPRESENTATIONS

### ILLUSTRATIVE WRITTEN REPRESENTATIONS FROM MANAGEMENT FOR THE 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]:

We are providing this letter in connection with your integrated [if 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 custodial activity is reported] for the years then ended, and [if social insurance is reported] 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>20</sup> [if RSI is presented] and other information<sup>21</sup> [if Other Information is presented].

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.

#### **Financial Statements, RSI and Other Information**

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

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

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, including accompanying notes, 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 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 the following: [Delete this item if the auditor is not engaged to report on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole.]
  - 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 RSI is presented] We have fulfilled our responsibilities for the measurement, preparation, and presentation of the RSI in accordance with prescribed guidelines established in U.S. GAAP.
  - a. The RSI is measured and presented in accordance with prescribed guidelines in U.S. GAAP and is 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 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 that have not been disclosed to you. [If there are no assumptions or interpretations, the underlined text should be omitted.]
4. [If Other Information is presented] 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 and RSI.
  - a. The OI included in the document containing the audited financial statements and auditor's report is consistent with the financial statements and RSI 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 that we used 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 the following:
  - a. access to all information 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 not been prepared, of the [Board of Directors or other similar bodies of those charged with governance] and
    - II. any communications from the Office of Management and Budget (OMB) or the Department of the Treasury's Bureau of the Fiscal Service 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 none of the following:
  - 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.
  - 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 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 580B.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. [Entity] has satisfactory title to all owned assets, including stewardship land and heritage assets. There are no liens or encumbrances on these assets and no assets have been pledged. **OR** [Entity] has satisfactory title to all owned assets. There are no liens or encumbrances on these assets and no assets have been pledged. [Entity] has no stewardship land or heritage assets.
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 [Entity's] disclosure entities, related parties, and public-private partnerships, and all the relationships and transactions related to them.
13. Relationships and transactions with disclosure entities, related parties, and public-private partnerships 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 [Entity] is contingently liable have been properly reported or disclosed. **OR** There are no guarantees under which [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, including those related to treaties and other international agreements, 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.
16. The effects of all known actual or possible litigation, claims, and assessments, including those related to treaties and other international agreements, 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 that affect the consistency of the financial statements between the periods presented. **OR** There are no changes in accounting principle that affect the 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 no intra-entity transactions or balances, replace with: “There are no intra-entity transactions or balances”]. All intragovernmental transactions and activities have been appropriately identified, recorded, and disclosed in the financial statements. There are no [OR “There are”] material unresolved differences in intragovernmental transactions and balances with Federal entity trading partners and appropriate adjustments have been made to address reconciling items.

## **Internal Control**

20. We acknowledge our responsibility for maintaining effective internal control over financial reporting, including 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 assessment of the effectiveness of internal control over financial reporting as of [date of most recent financial statement presented<sup>22</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 of the Treadway Commission (COSO)).)
23. We evaluated the effectiveness of [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). [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

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<sup>22</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.

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, COSO's *Internal Control – Integrated Framework*).]

24. We did not use [auditor's] audit procedures performed during the integrated audit of [Entity's] 20X2 and 20X1 financial statements as part of the basis for our assessment about [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 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 disclosed all such 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 conditions that might significantly affect 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.
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 that affects the entity and involves (1) management; (2) employees who have significant roles in internal control over financial reporting, or (3) others when the fraud could have a material effect on the financial statements. [If there is knowledge of any instances, including those that do not result in a material misstatement to the financial statements, 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 that resulted in a material misstatement to [Entity's] financial statements or RSI.
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 [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**

[If a CFO Act agency, which is 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, and application of the USSGL at the transaction level. Our assessment was based on OMB guidance.
40. [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], [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], [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 could have a material effect on the 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 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 for the year ended September 30, 20X2 and 20X1, and through the date of this letter. **OR** We have communicated to you all violations and/or potential violations of the Antideficiency Act for the year ended September 30, 20X2 and 20X1, and through the date of this letter and [except for {add list of known ADA violations that do not have a material effect on the financial statements},] such violations have or could have a material effect on the financial statements for the year ended September 30, 20X2 and 20X1.

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

[If a Statement of Social Insurance (SOSI) and a Statement of Changes in Social Insurance Amounts (SCSIA) are presented, 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 that [Entity's] actuary used and has no knowledge or belief that would make such methods or assumptions inappropriate in the circumstances. Management did not give any instructions, or cause any instructions to be given to [Entity's] actuary with respect to values or amounts derived, and is not aware of any matters that have affected the objectivity of [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 [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 [Entity's or the program's trustees] related to estimates in the SOSI.
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 4 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 of (for example: January 1, 20X2, and January 1, 20X1, and other valuation dates presented) or changes in the method of collecting data and
  - b. valuation date of (for example: January 1, 20X2) and the financial reporting date of (September 30, 20X2) 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 of (for example: January 1, 20X2, and January 1, 20X1, and other valuation dates presented) and
  - b. valuation date of (for example: January 1, 20X2) and the financial reporting date of (September 30, 20X2).
53. Accounting estimates applicable to the financial information of [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. [If a Statement of Budgetary Resources is presented] 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 20X2 actual-year column of the Program and Financing Schedules reported in the fiscal year 20X4 *Budget of the U.S. Government*. Such information is supported by the related financial records and data.
55. We have disclosed in the financial statements all material dedicated collections as defined by Statement of Federal Financial Accounting Standard 43 and all other material restricted funds **OR** [There are no material dedicated collections or other material restricted funds that require disclosure in the financial statements].

### **Service Organizations**

56. [“[Entity]” does not use service organizations.] **OR** 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. [If entity uses service organizations] 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, the letter should describe it 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)