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OFFICE OF MANAGEMENT AND BUDGET
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THE DIRECTOR

OMB BULLETIN 19-01

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

SUBJECT: Audit Requirements for Federal Financial Statements

- 1. Purpose:** This Bulletin, which includes an attachment and Appendices A-H, 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 (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 the Budget and Accounting Act of 1921 (Pub. L. No. 67-13), as amended, and the Budget and Accounting Procedures Act of 1950 (Pub. L. No. 81-784), as amended.
- 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 17-03, *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 <https://www.whitehouse.gov/omb/bulletins/>.

A handwritten signature in black ink, appearing to read "M/Mulvaney" with a horizontal line and "oms" written below it.

Mick Mulvaney
Director

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SUMMARY OF KEY CHANGES

Section Title	Paragraph Number(s)	Changes
Section 2, Definitions	Former 2.5	Deleted definition of the Federal Information Security Management Act of 2002 because it is not cited in the Bulletin.
Section 5, Communication	5.2	Clarified to stress the importance of communication in the timely issuance of financial statements.
Section 5, Communication	5.6	Clarified requirements for restatements.
Section 6, Scope of the Audit	6.2	Streamlined the text for consolidating statement audits vis-à-vis audit of the financial statements as a whole.
Section 7, Reporting	7.18	Clarified that contract testing includes treaties and international agreements.
Section 7, Reporting	Former 7.22 and 7.23	Deleted references to OMB Circular A-123, Appendix A, because a separate audit report is not necessary for A-123 compliance.
Section 8, Written Representations	Former 8.6	Deleted, as unnecessary, reference to representation pertaining to the Statement of Budgetary Resources.
Section 13, Audit of the Closing Package Financial Statements	13.9 and 13.11	Updated to reflect requirements for intra-entity and intragovernmental activity.
Section 13, Audit of the Closing Package Financial Statements	13.32	Updated to clarify requirement regarding adjusting journal entries made for intragovernmental activity.
Appendix B	N/A	Modified to allow the Navy to have their General Funds audit satisfied with separate Marine Corps statements and non-Marine Corps Navy statements.
Appendix C	N/A	Updated to include two entities inadvertently left off the list, the Northern Border Regional Commission and the Privacy and Civil Liberties Oversight Board.
Appendix D	N/A	The Federal Housing Administration Fund was deleted because it does not exist.
Appendix E	Representations 19 and 20	Added new representation regarding the reconciliation of intra-entity and intragovernmental transactions and balances.
Appendix E	Representations 21 and 22	Added new representations regarding disclosure entities and related parties.
Appendix F	Representation 12 and 13	Added disclosure entities to representation.
Appendix F	Representations 15, 16, and 41	Clarified reference to “actual or possible litigation, claims, and assessments” to include those resulting from “treaties and international agreements.” Also added reference to “treaties and international

		agreements.”
Appendix F	Representation 19	Clarified text regarding intragovernmental activity.
Appendix F	Representation 41	Clarified text regarding treaties and other international agreements.

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 The Government Corporation Control Act (GCCA) (Pub. L. No. 79-248, codified at 31 U.S.C. chapter 91) requires, among other things, the annual preparation and audit of organization-wide financial statements of "mixed-ownership" and "wholly owned" Government corporations (Appendix D).

SECTION 2: DEFINITIONS

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

2.1 **Annual Financial Statements** mean the financial statements of a reporting entity as described in 31 U.S.C. §3515 and OMB Circular A-136, *Financial Reporting Requirements*, as revised (A-136). The "Annual Financial Statements"¹ 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 Stewardship Information (RSSI), if applicable

Required Supplementary Information (RSI), if applicable

Other Information, if applicable

¹ U.S. generally accepted accounting principles (U.S. GAAP) for Federal entities are promulgated by the Federal Accounting Standards Advisory Board (FASAB).

2.2 **Codification of Statements on Auditing Standards** is a codification of Statements on Auditing Standards (SASs) issued by the American Institute of Certified Public Accountants (AICPA). The Government Accountability Office's (GAO) *Government Auditing Standards* (U.S. Generally Accepted Government Auditing Standards, GAGAS) incorporates 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.

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 identified in Statement of Federal Financial Accounting Standards (SFFAS) 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*. The GAAP hierarchy consists of the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of Federal reporting entities that are presented in accordance with U.S. GAAP and the framework for selecting those principles.

2.7 **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 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.

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 600, *Audits of Group Financial Statements (Including the Work of Component Auditors)*, for additional guidance/requirements when performing an audit of group financial statements.

2.10 **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.² Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include controls relating to financial reporting and operations objectives. Although most controls relevant to the audit are likely to relate to financial reporting, not all controls that relate to financial reporting are relevant to the audit. Consistent with the guidance set forth in OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (A-123), and A-136, internal control over financial reporting is more narrowly defined and includes:

- Reliability of financial reporting - transactions are properly recorded, processed, and summarized to permit the preparation of the Basic Financial Statements in accordance with U.S. 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 **Management Letter** means a letter prepared by the auditor that discusses findings and recommendations for improvements in internal control, which were identified during the audit, but were not required to be included in the auditor's report on internal control over financial reporting or report on compliance and other matters.

2.13 **Management's Discussion and Analysis (MD&A)** is a clear and concise description of the reporting entity's performance measures, financial statements, information systems and controls, compliance with laws and regulations, and actions taken or planned to address problems.³ The MD&A is included in 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.

2.14 **Material Weakness** is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility⁴ that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. This

² GAO, *Standards for Internal Control in the Federal Government*, GAO-14-704G (Washington, D.C., September 2014).

³ Statement of Federal Financial Accounting Standards (SFFAS) 15, *Management's Discussion and Analysis*.

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

material weakness definition aligns with the material weakness definition used by management to prepare a reporting entity's FMFIA assurance statement on the effectiveness of internal control over financial reporting.

2.15 **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 annual financial statements are prepared because either there is a statutory or administrative requirement or management chose to prepare annual financial statements.

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

2.17 **U.S. Standard General Ledger (USSGL)** means the uniform chart of accounts prescribed by the Department of the Treasury in its *Treasury Financial Manual* (TFM) (https://www.fiscal.treasury.gov/fsreports/ref/ussgl/ussgl_home.htm).

SECTION 3: FREQUENCY OF AUDIT

3.1 Audits will be performed annually.

SECTION 4: RESPONSIBILITY FOR AUDIT

For purposes of this Bulletin, the following responsibilities apply:

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

4.2 For the executive agencies and government corporations subject to the ATDA and GCCA, 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, at his or her discretion and following consultation with the OIG, perform the audit of the CFO Act executive departments and agencies and GCCA and ATDA entities.

⁵ Consistent with AU-C 260, *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.

SECTION 5: COMMUNICATION

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

5.2 Communications with the 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.⁶ Auditors should refer to AU-C 260, *The Auditor's Communication With Those Charged With Governance*. Auditors should also refer to GAGAS 4.03 for additional requirements pertaining to auditor communication. Matters that may be communicated include, but are not limited to, the following:

- The financial statements preparation and **audit timetable and changes thereto**, including all changes that could cause the reporting entity to be unable to issue its AFR/PAR by the deadline set in Circular 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 governance or management may be important because of the relative significance and the urgency for corrective follow-up action.⁷

5.3 Auditors should bring misstatements to management's attention for analysis and possible adjustment. Written representations from management should address uncorrected misstatements. (See Paragraph 8.1 for a discussion of a summary of uncorrected misstatements to be attached to management's written representations and see Paragraph 8.4 for management's materiality threshold used for reporting items in written representations from management). Auditors should refer to AU-C 450, *Evaluations of Misstatements Identified During the Audit*, and are encouraged to use the guidance in GAO/CIGIE FAM Section 540, *Evaluate Misstatements 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, memo, management letter, or other written communication; or communicated orally.⁸

⁶ GAGAS 1.17.

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

⁸ GAGAS 4.28 and 4.29.

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 708, *Consistency of Financial Statements*.

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

- Issue revised fiscal year financial statements before issuing the current fiscal year's financial statements;
- Communicate the issuance of the revised financial statements to those charged with governance, oversight bodies, funding agencies, and others who are relying or are likely to rely on the financial statement(s). This includes communication (1) in writing to the Congress, OMB, Fiscal Service, and GAO, and (2) to the public on the Internet pages where the 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 issuance of the subsequent period audited financial statements is imminent, then the auditor will include an emphasis-of-matter paragraph (in accordance with AU-C 708) in the auditor's report as listed in Paragraph 7.7 and advise the reporting entity's management to:

- Issue restated financial statement(s) as part of the current year's comparative financial statements;

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

- Communicate the restatement to those charged with governance, oversight bodies, funding agencies, and others who are relying or are likely to rely on the financial statement(s). This includes communication (a) in writing to the Congress, OMB, Fiscal Service, and GAO, and (b) 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 information 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 725, *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 720, *Other Information in Documents Containing Audited Financial Statements*.

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

6.5 When auditing allocation transfers from a Federal entity (referred to as the parent) to another 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 annual financial statement audit (i.e., the amount should be subject to the same annual financial statement auditing procedures and materiality considerations as all other funding sources). As such, the two 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 annual financial statement audit. In addition to parent-child transfers, there may be other situations where such coordination is necessary.

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

- RSI (i.e., Management's Discussion and Analysis, Combining Statement of Budgetary Resources, Deferred Maintenance, etc.) as defined by the Federal Accounting Standards Advisory Board (FASAB).
- RSSI (i.e., Stewardship investments: non-Federal physical property (such as highways), human capital (expenditures for training and education), and research and development), as defined by FASAB.

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

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

The auditor should obtain an understanding of the control activities relevant to the audit, which are those control activities that the auditor judges as necessary to understand to assess the risk of material misstatement at the assertion level and design further audit procedures responsive to assessed risks. 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 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*, paragraph .08 and GAGAS, for those controls that have been suitably designed and implemented, the auditor will perform sufficient tests of such controls to conclude whether the controls are operating effectively (i.e., sufficient tests of controls to support a low level of assessed control risk). Thus, the auditor should not elect to forgo control tests because it is more efficient to extend substantive and compliance audit procedures. Controls that are not suitably designed and implemented or that are not operating effectively will be communicated in accordance with Section 7 of this Bulletin.

6.9 In obtaining an understanding of the components of internal control, particularly the risk assessment component, and assessing control risk, the auditor will obtain an understanding of the process by which the 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 4.06 for additional requirements pertaining to the consideration of compliance with provisions of contracts and grant agreements). When testing contracts, the auditor should include treaties and other international agreements, as applicable.

6.12 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. Agencies subject to the ATDA and GCCA 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

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

6.14 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.

6.15 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.

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

Using a Service Organization¹⁰

6.17 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.

6.18 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 Service Organization Controls report, if available;¹¹
- 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 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.

¹⁰ 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*.

¹¹ These reports are referred to as Service Organization Controls (SOC) type 1 or type 2 service auditor's reports, which are prepared in accordance with the guidance in AT-C 320.

6.19 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.

6.20 User entity management should obtain the service auditor's report within a reasonable time to allow the auditor of the user entity to consider the results of the service auditor's report during the audit of the user entity's financial statements. If such audit reports are not available in an appropriate time period as determined by the user auditor or there is a gap between the period covered by the service auditor's report and the user entity's year end, the user auditor should consider the procedures outlined in Paragraph 6.18 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.

6.21 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 no later than 45 days after the fiscal year end. The audit results will be discussed with management as soon as practical but, in any case, prior to issuance of the audit report.

7.2 The audit report(s) will state that the audit was performed in accordance with GAGAS and the provisions of this Bulletin. Auditors should refer to AU-C 700, *Forming an Opinion and Reporting on Financial Statements*; AU-C 705, *Modifications to the Opinion in the Independent Auditor's Report*; AU-C 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Independent Auditor's Report*; AU-C 720, *Other Information in Documents Containing Audited Financial Statements*; AU-C 730, *Required Supplementary Information*; chapter 4 of GAGAS; and the AICPA Audit Guide - *Government Auditing Standards and Single Audits* 4.48 and 4.89. (The 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), the auditor will perform audit procedures sufficient to reissue or update the auditor's report on the restated financial statement(s) (the auditor should refer to AU-C 560, 705, 706, and 708). The auditor will fulfill these responsibilities whether the restated financial statement(s) are separately issued or presented on a comparative basis with those of a subsequent period. The auditor will include the following information in an emphasis-of-matter paragraph in the reissued or updated auditor's report on the restated financial statement(s):

- A statement disclosing that a previously-issued financial statement(s) has been restated for the correction of a material misstatement in the respective period;
- A statement that the previously-issued financial statement(s) was materially misstated and that the previously-issued auditor's report (including report date) is withdrawn and replaced by the auditor's report on the restated financial statement(s), and change in the audit opinion.
- A reference to the note(s) to the financial statements that discusses the restatement (see Paragraphs 5.6 and 5.7); and
- If applicable, a reference to the report on internal control over financial reporting containing a discussion of any significant internal control deficiency identified by the auditor as having failed to prevent or detect the misstatement and what action management has taken to address the deficiency.

7.8 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 560, 705, 706, and 708). Furthermore, the auditor's report will disclose, at a minimum, the following:

- A statement disclosing that a material misstatement(s) or potential material misstatement(s) affects a previously-issued financial statement(s) but the specific amount(s) of the misstatement(s) and the related effect(s) of such are unknown;
- A reference to the note(s) to the financial statements that discusses the restatement or potential restatement; and
- A statement disclosing that a restatement(s) to a previously-issued financial statement(s) will or may occur.

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

7.9 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 725.

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

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

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

Report on Internal Control Over Financial Reporting

7.13 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 265, *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.¹² In the event that no material weaknesses were identified during the audit, the report will state that no deficiencies in internal control were identified that were considered to be material weaknesses during the audit of the financial statements. (See AU-C 265.)

7.15 The report will state that either the objective (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 4.22.

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 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements*.

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

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

7.18 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 with provisions of laws, regulations, contracts, and grant agreements. In meeting this requirement, the auditor will list those provisions of laws, regulations, contracts, and grant agreements that tests identified reportable instances of noncompliance. (See AU-C 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*. See also GAGAS 4.06 for additional requirements pertaining to the consideration of compliance with provisions of contracts and grant agreements). When testing contracts, the auditor should include treaties and other international agreements, as applicable.

¹² GAGAS 4.19 and 4.20.

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

7.20 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 4.22.

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 No. A-123, Appendix D, Compliance with the Federal Financial Management Improvement Act of 1996. (See <https://www.whitehouse.gov/sites/whitehouse.gov/files/omb/memoranda/2013/m-13-22.pdf>.)

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

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

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

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

SECTION 8: WRITTEN REPRESENTATIONS FROM MANAGEMENT

8.1 In accordance with AU-C 580, *Written Representations*, the auditor will obtain written representations from management for the periods covered by the auditors' report(s). In addition to the representations included in AU-C 580, additional representations may be required that are unique to the Federal Government. A list of any uncorrected misstatements should be included in or attached to the written representations from management. If there are no such uncorrected misstatements, a representation to this effect should be included in the written representations from management. In accordance with A-136, Section V.5, the written representations from agencies' management and accompanying summary of uncorrected misstatements are required for the audits of entity financial statements and the closing package financial statements used to compile the *Financial Report of the United States Government* (FR). Refer to the GAO/CIGIE FAM Section 595C, *Uncorrected Misstatements and Adjusting Entries* for a sample schedule of uncorrected misstatements and adjusting entries. To support the audit of the consolidated financial statements of the U.S. Government, agencies are to provide the information requested by GAO.

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

8.3 The written representations from management will be obtained from the highest levels of the audited entity. In accordance with AU-C 580, "[the] auditor should request written representations from management with appropriate responsibilities for the financial statements and knowledge of the matters concerned." These officials generally should be the head of the 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.¹³

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 580 discusses specific representations that should be obtained from management. The representations obtained will depend on the circumstances of the engagement and the nature and basis of presentation of the financial statements. In addition to the representations given in AU-C 580, the auditor generally should consider the need to obtain representations on other matters based on the circumstances of the audited entity. See also AU-C 725 and AU-C 730 for additional specific representations that should be obtained from management regarding supplementary information and required supplementary information. Furthermore, auditors may also request representations from management regarding other information in documents containing audited financial statements and the auditor's report thereon. The auditor should refer to the guidance detailed in the GAO/CIGIE FAM Section 1001, *Management Representations*. The written representations from management presented in Appendix F 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.

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 580 paragraphs .22 to .24.

¹³ 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*.

8.7 Notification must be provided to OMB, Fiscal Service, and GAO regarding whether there are "no changes" or "changes" due to subsequent changes to the written representations from management or subsequent events affecting the agency financial statements (general-purpose and closing package) that have arisen after the written representations from management and financial statements have been submitted but before the date of the audit report on the FR. See A-136, Section V.5, Written Representation from Management.

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

SECTION 9: LEGAL REPRESENTATION LETTERS AND MANAGEMENT'S SCHEDULES

9.1 In accordance with AU-C 501, *Audit Evidence - Specific Considerations for Selected Items*, the auditor will seek direct communication with the entity's legal counsel via a letter of inquiry prepared by management to those lawyers with whom management consulted concerning litigation, claims, and assessments.¹⁴ (See the GAO/CIGIE FAM Section 1002B, *Example Legal Letter Request*, to include updated requirements related to AU-C 501, for an illustrative letter of inquiry from entity management to legal counsel.) Management should document in a schedule how the information contained in the legal counsel's response(s) was considered in preparing the financial statements (See Paragraph 9.3). In accordance with the A-136, Section V.4, legal representation letters and management's schedules are required for the audits of entity financial statements and the closing package financial statements used to compile the FR.

9.2 Legal counsels will consider the guidance contained in the American Bar Association's *Statement of Policy Regarding Lawyer 's Responses to Auditors' Request for Information* (December 1975) in preparing their responses. (Refer to the Department of Justice website for guidance preparing a legal letter, <https://www.justice.gov/civil/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*, for the format to be used for management's schedule).

9.4 The timing of legal letter requests, responses, and related management's schedules will be coordinated between entity legal counsel, entity management, and the auditor. Legal counsel should specify the effective date of the legal representation response. Management's schedule should be provided as soon as practical after the legal letter response is provided to the auditor. All due dates

¹⁴ Management and the auditor should agree on a materiality level to use in the letter of inquiry. For guidelines on setting the materiality level for the legal letter see the GAO/PCIE FAM Sections 1002, *Inquiries of Legal Counsel*, and subsequent revisions.

will be in accordance with the due dates established in the *TFM 2-4700*, Reporting and Submission Dates.

9.5 Updated legal responses and management schedules will only include changes from the interim responses/schedules, or a statement that there are no changes. After applying applicable audit procedures, interim and updated legal letters will be submitted by the OIG to the Department of the Treasury's Bureau of the Fiscal Service (Fiscal Service), DOJ and GAO no later than the dates established in the *TFM 2-4700*, Reporting and Submission Dates. The OIG will inform the Fiscal Service, via email, of any subsequent changes in the likelihood or amount of loss for cases that arose after the final representation letter but prior to the end of the Government-wide financial statement audit completion date (per AU-C 230, *Audit Documentation*). Contact information for these agencies can be found in the A-136, Appendix B.

SECTION 10: COMMUNICATING OTHER DEFICIENCIES

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

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

11.1 The Agreed-Upon Procedures (AUPs) will be performed annually in accordance with AT-C 215, *Agreed-Upon Procedures Engagements*, and GAGAS Chapter 5. The AUPs are designed to assist OPM in assessing the reasonableness of the Retirement, Health Benefits, and Life Insurance withholdings/contributions as well as semiannual headcount information submitted by agencies. The sufficiency of the procedures is solely the responsibility of the Inspector General and the CFO of OPM and will be applied to the 12 months ended August 31 of each year.

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

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

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

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

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

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

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

11.9 The auditor of the payroll provider is required to report all findings to OPM by adhering to AT-C 215 and GAGAS Chapter 5. This will assist and enhance OPM's ability to track each finding for all agencies.

11.10 Agencies will submit three copies of the report on the application of these procedures to OPM's OIG at the address below or, alternatively, may email the report as a PDF attachment to Nicole.Brown-Fennell@opm.gov with a copy to FinancialBALS@opm.gov.

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

SECTION 12: INSPECTOR GENERAL OVERSIGHT

12.1 Section 4(b) of the IG Act of 1978, as amended, requires OIGs to establish guidelines to determine when it is appropriate to use non-Federal auditors such as IPAs. The IG Act also requires OIGs take appropriate steps to assure that any work performed by the non-Federal auditors comply with GAGAS. When the OIG uses non-Federal auditors to perform agency 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 No. 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: AUDIT OF THE CLOSING PACKAGE FINANCIAL STATEMENTS

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

13.2 Treasury's Fiscal Service prepares the FR using financial data received from the closing package submitted via Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and Government-wide Financial Report System (GFRS) by the significant entities.¹⁵

13.3 For purposes of this section, the significant entities to the FR, as identified in the *TFM 2-4700*, will subject their closing package financial statements to an audit by the OIG of the agency or by an IPA as determined by the OIG. If the agency does not have an OIG, the financial statement audit will be performed by an IPA as determined by management.

13.4 The closing package financial statements include GTAS Reconciliation Report – Reclassified Balance Sheet and the related GTAS Reconciliation Reports – Reclassified Statement of Net Cost and Reclassified Statement of Operations and Changes in Net Position and the related notes to the financial statements that comprise the following: (1) the GTAS Closing Package Lines Loaded Report, (2) FR Notes Reports (except for the information in the FR Notes Reports entitled “20X1-September,” “Prior Year,” “PY,” “Previously Reported,” “Line Item Change,” “Threshold”), and (3) the accompanying Additional Note Number X.¹⁶ If applicable, the closing package also includes the sustainability financial statements, which comprise the statement of social insurance (presented in the FR Notes Report No. 23) and the statement of changes in social insurance amounts (presented in the FR Notes Report No. 29) and the related FR Notes Report No. 24 and the Additional Note Number X (as it relates to the sustainability financial statements). The closing package financial statements are required to be audited and audit reports are to be submitted to the Fiscal Service, OMB, and GAO. See TFM 2-4705.45 for audit requirements. An illustrative auditor's report is provided in Appendix G.). A two-year presentation is not required for the closing package financial statements.

¹⁵ The significant entities to the Financial Report of the U.S. Government (FR) are identified in the Department of the Treasury's *TFM2-4700*, Appendix 5 and the OMB Circular A-136. All remaining agencies should provide adjusted trial balance data in GTAS and should complete GFRS FR Notes and Other FR Data.

¹⁶ When an incomplete presentation of financial statements exists, such as the closing package financial statements, management is required to disclose the purpose of the financial statements. The purpose of the closing package financial statements is detailed within Treasury's TFM and described within a note to the closing package financial statements. Management can make this disclosure either within the summary of significant accounting policies, or as a standalone note. Because the number of notes can change each year, this note is being referred to as Additional Note Number X, which should be numbered as the final note in *TFM 2-4700* Appendix 3 requirements plus 1.

13.5 Significant entities will perform audits annually. Significant entities with a year-end other than September 30 are limited to audit assurance on material line items to which the entities contribute. These agencies may refer to the TFM 4705.25 and 4705.45 for additional guidance.

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

13.7 The closing package financial statements will be audited in accordance with GAGAS and the provisions of this Bulletin. The audit of the closing package financial statements will encompass and leverage the audit work performed relative to the general-purpose financial statements (referred to as "general-purpose financial statements" elsewhere in the Bulletin). The purpose of the audit of the closing package financial statements is not to duplicate the audit work performed relative to the general purpose financial statements, but to provide independent assurance that the closing package financial statements are presented in accordance with U.S. GAAP and with the *TFM 2-4700*.

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

13.9 The internal control relating to the closing package financial statements will encompass the internal control relating to the general-purpose financial statements, upon which the closing package financial statements are based. The auditor should also obtain an understanding of the control activities for the closing package financial statements including accompanying notes and perform tests of those controls. Such an understanding includes control activities related to intra-entity and intra-governmental transactions and balances, and resolving¹⁷ intragovernmental differences with Federal trading partners. Providing an opinion on the internal control relating to the closing package financial statements reporting is not an objective of this audit.

13.10 The reporting on compliance with laws, regulations, contracts, and grant agreements will encompass the compliance reporting related to the general-purpose financial statements upon which the closing package financial statements are based. In addition, the auditor will perform tests of compliance with laws, regulations, contracts, and grant agreements that have a direct effect on the determination of material amounts and disclosures in the closing package financial statements, and perform certain other limited procedures as described in AU-C 250.14-.16. (See also GAGAS 4.06 for additional requirements pertaining to the consideration of compliance with provisions of contracts and grant agreements). Providing an opinion on the compliance with laws, regulations, contracts, and grant agreements is not an objective of this audit.

13.11 The auditor will obtain written representations from management as part of an audit conducted in accordance with this Bulletin. Intragovernmental balances and transactions are a key component in the consolidation of the financial information submitted by Federal entities and in the overall compilation process of the FR. Management will include a representation that addresses

¹⁷ See the GAO/CIGIE FAM section 902.02.

intra-entity balances and transactions and reconciling and resolving intragovernmental differences with federal trading partners. When appropriate, management may combine its representations for the audits of the closing package financial statements and the general-purpose financial statements. (See Appendix E and Appendix F.)

13.12 The auditor will also obtain a summary of uncorrected misstatements, for the closing package financial statements used to compile the FR. The summary of uncorrected misstatements will contain uncorrected misstatements identified in the audited general-purpose financial statement summary and any additional uncorrected misstatements identified in the Closing Package. Explanations should be provided for any difference between the two summaries to facilitate the consolidation of the FR. In addition, the adjusting entries to correct the misstatements should also be provided. If there are no such uncorrected misstatements, a representation to this effect should be included in the written representations from management. Refer to the GAO/CIGIE FAM Section 595C, for a sample schedule of uncorrected misstatements and adjusting entries. To support the audit of the consolidated financial statements of the U.S. Government, agencies are to provide the information requested by GAO.

13.13 The management representations and related summary of uncorrected misstatements will be submitted to Fiscal Service, GAO, and OMB by the due dates listed in *TFM 2-4700*, Reporting and Submission Dates.

Audit Report

13.14 An auditor's report(s) on the closing package financial statements, internal control over the financial reporting process for the closing package financial statements, and compliance with laws, regulations, contracts and grant agreements will be prepared at the completion of the audit in accordance with GAGAS and this Bulletin. The auditor's report(s) will state that the audit was conducted in accordance with GAGAS and the provisions of this Bulletin. The auditor's report (s) will be submitted to Fiscal Service, GAO and OMB no later than the date specified in A-136, Section I.5, Submission Deadlines and the *TFM 2-4700*, Reporting and Submission Dates. The audit results will be discussed with management as soon as practicable but, in any case, prior to issuance of the auditor's report.

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

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

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

13.17 With respect to reporting on other data (required supplementary information, required supplementary stewardship information, and other information), the auditor will follow AU-C 730, and AU-C 720. (See Appendix G.)

Section on Internal Control Over Financial Reporting

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

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

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

Section on Compliance

13.24 A report on the reporting entity's compliance with laws, regulations, contracts, and grant agreements should include noncompliance with 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 closing package financial statements a description of the scope of the auditor's testing of compliance with provisions of laws, regulations, contracts, and grant agreements and whether the test they performed provided sufficient, appropriate evidence to support an opinion on compliance with provisions laws, regulations, contracts, and grant agreements. In meeting this requirement, the auditor will list those provisions of laws, regulations, contracts, and grant agreements for which tests identified reportable instances of noncompliance. (See AU-C 250, *Consideration of Laws and Regulations in an Audit of Financial Statements*. See also GAGAS 4.06 for additional requirements pertaining to the consideration of compliance with provisions of contracts and grant agreements

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

13.26 The section will state that the objective was not to provide an opinion on compliance with applicable laws, regulations, contracts, and grant agreements and, therefore, does not express such an opinion.

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

Comments/Distribution

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

13.29 Specified documents are required to be submitted with the audit report. (Refer to the *TFM 2-4700* for a complete listing.)

13.30 Copies of the audit report(s) will be distributed to the head of the executive department or agency and simultaneously submitted to the Fiscal Service, OMB, and GAO, no later than the date specified in the A-136, Section I.5, Submission Deadlines and the *TFM 2-4700*, Reporting and Submission Dates.

Communicating Other Deficiencies

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

Intragovernmental Balances and Transactions

13.32 Intragovernmental balances and transactions are a key component in the consolidation of the financial information submitted by Federal entities and in the overall compilation process of the FR. Intragovernmental 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 the Department of the 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) the quarterly and year-end requirements to reconcile and resolve the reported intragovernmental activity and balances, (2) intragovernmental transactions metrics and scorecards, and (3) the audit requirements for the intragovernmental activity and balances contained in the closing package. See also the GAO/CIGIE FAM, Volume 2, Section 902 for information related to auditing intragovernmental and intergovernmental balances and transactions.

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 inquiry should cover journal entries affecting intragovernmental and public balances. The auditor will consider the impact of the journal entries on current audit procedures.

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

14.1 For a complete list of year-end financial reports and their respective due dates, please refer to the A-136, Part 1.5, Submission Deadlines and the *TFM 2-4700*. In addition, contact information is provided in the A-136, Appendix B.

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

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

Department of Agriculture
Department of Commerce
Department of Defense
Department of Education
Department of Energy
Department of Health and Human Services
Department of Homeland Security
Department of Housing and Urban Development
Department of the Interior
Department of Justice
Department of Labor
Department of State
Department of Transportation
Department of the Treasury
Department of Veterans Affairs
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

**COMPONENTS OF EXECUTIVE DEPARTMENTS AND AGENCIES
REQUIRED TO PREPARE FINANCIAL STATEMENTS¹⁸**

Department of Agriculture

Food and Nutrition Service
Rural Development Mission Area

Department of Defense

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

Department of Health and Human Services

Centers for Medicare & Medicaid Services

Department of Transportation

Federal Aviation Administration

Department of the Treasury

Internal Revenue Service

Office of Personnel Management

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

¹⁸ The requirement for components to prepare financial statements may be satisfied by presenting the components separately in consolidated agency-wide financial statements and conducting an audit, in accordance with this Bulletin, at the consolidated financial statement level.

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

Administrative Conference of the United States
Advisory Council on Historic Preservation
American Battle Monuments Commission
Appalachian Regional Commission
Architectural and Transportation Barriers Compliance Board (Access Board)
Armed Forces Retirement Home
Barry Goldwater Scholarship and Excellence in Education Foundation
Broadcasting Board of Governors (also known as U.S. Agency for Global Media)
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
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

**GOVERNMENT CORPORATIONS
REQUIRED TO PREPARE FINANCIAL STATEMENTS**

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

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

[Entity Letterhead]

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

[Name and Title of Audit Organization Head]

[Address of Audit Organization]

Dear [Name of Audit Organization Head]:

We are providing this letter in connection with your audit of the Closing Package Financial Statement Report of [name of Reporting Entity], which comprises the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reconciliation Report – Reclassified Balance Sheet, as of September 30, 20X2 and the related GTAS Reconciliation Reports - Reclassified Statement of Net Cost and Reclassified Statement of Operations and Changes in Net Position for the year then ended, and the related notes to the financial statements (hereinafter referred to as the “closing package financial statements”).¹⁹ The notes to the financial statements comprise the following:

- the GTAS Closing Package Lines Loaded Report,
- Financial Report (FR) Notes Report (except for²⁰ the information in the FR Notes Report entitled "20X1– September," "Prior Year," "PY," "Previously Reported," "Line item Changes," "Threshold," [and the information as of and for the year-ended September 30, 20X1 in the "Text Data" of the FR Notes Reports]), and
- the accompanying Additional Note No. X [insert number] [(except for²¹ the information as of and for the year-ended September 30, 20X1)].

¹⁹ If the statements of social insurance and statements of changes in social insurance amounts are applicable, the auditor replaces this sentence with the following: “This representation letter is provided in connection with your audit of the Closing Package Financial Statement Report of [name of Entity], which comprise the financial statements and the sustainability financial statements (hereinafter referred to as the “closing package financial statements”). The financial statements comprise the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reconciliation Report – Reclassified Balance Sheet as of September 30, 20X2, and the related GTAS Reconciliation Reports – Reclassified Statement of Net Cost and Reclassified Statement of Operations and Changes in Net Position for the year then ended, and the related notes to the financial statements.”

²⁰ If the statements of social insurance and statements of changes in social insurance amounts are applicable, the auditor inserts “all information related to the statement of social insurance and the statement of changes in social insurance” as the first exclusion to the FR Notes Report.

²¹ If the statements of social insurance and statements of changes in social insurance amounts are applicable, the auditor inserts “all information related to the statement of social insurance and the statement of changes in social insurance” as the first exclusion to the Additional Note X.

*[Additional paragraph related to the sustainability financial statements]*²²

Your audit is for the purpose of expressing an opinion on whether the closing package financial statements present fairly, in all material respects, the financial position, net costs and changes in net position of the [Entity] in accordance with U.S. generally accepted accounting principles.²³

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

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

Except where otherwise stated below, immaterial matters less than \$[Insert amount] collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the closing package financial statements. Such quantitative materiality considerations do not apply to representations that are not directly related to amounts included in the closing package financial statements, required supplementary information (RSI)²⁴ [if applicable], required supplementary stewardship information (RSSI)²⁵ [if applicable], and other information²⁶ [if applicable].

²² If the statements of social insurance and statements of changes in social insurance amounts are applicable, the auditor adds the following paragraph: "The sustainability financial statements comprise the statement of social insurance as of September 30, 20X2 (presented in the FR Notes Report No. 23), and the statement of changes in social insurance amounts for the year ended September 30, 20X2 (presented in the FR Notes Report No. 29), and the related FR Notes Report No. 24 and the Additional Note No. X [insert note number and section letter, such as 31-Z, of the summary of significant accounting policies specific to the statements of social insurance and statements of changes in social insurance] except for the information as of September 30, 20X1, September 30, 20X0, September 30, 20X-1, and September 30, 20X-2, and for the year ended September 30, 20X1."

²³ If the statements of social insurance and statements of changes in social insurance amounts are applicable, the auditor replaces this sentence with the following: "Your audit is for the purpose of expressing an opinion on whether the financial statements present fairly, in all material respects, the financial position, net costs and changes in net position of the [Entity] in accordance with U.S. generally accepted accounting principles, and an opinion as to whether the sustainability financial statements present fairly, in all material respects, the social insurance information and changes in its social insurance amounts of the [Entity] in accordance with U.S. generally accepted accounting principles."

²⁴ RSI consists of [insert description].

²⁵ RSSI consists of [insert description].

²⁶ Other information consists of [insert description].

These supplemental representations are in addition to the letter of representations made on [insert date] in connection with the audits of the [Entity's] general-purpose financial statements (see representations in Appendix F).²⁷

We confirm, as of [date of auditor's report] the following representations made to you during your audit.

1. No information has come to our attention that would cause us to believe that any of the representations that we provided to you in our management representation letter dated [insert date of representation letter related to the general-purpose financial statements] should be modified.
2. No events have occurred subsequent to [insert date of representation letter related to general-purpose financial statements] and through the date of this letter that would require adjustment to or disclosure in the closing package financial statements.
3. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated [insert date of engagement letter], for the preparation and fair presentation of the closing package financial statements in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) and the presentation requirements set forth in the TFM Chapter 4700. The closing package financial statements are fairly presented in accordance with U.S. GAAP. [If there are instances of departures from generally accepted accounting principles, this statement should be modified to disclose all known instances of departure.]
4. We have fulfilled our responsibilities for the measurement, preparation, and presentation of the [RSI and RSSI], which are included in Other Data Report Nos. [include numbers tailored to the entity, such as 1 (Other Data Info Section A and B only), 3 through 9], except for such information entitled "20X1 – September," "Prior Year," "PY," "Previously Reported," "Line Item Changes," and "Threshold" [, and the information as of and for the year ended September 30, 20X1 in the "Other Text Data"] in accordance with the prescribed guidelines in U.S. GAAP and:
 - a. The [RSI and RSSI] contain no material misstatement of fact and, except for Other Data Report No(s). [include number(s) tailored to the entity, such as 1 (Other Data Info Section A and B), 9, 17, and 18], is [are] are measured and presented in accordance with the prescribed guidelines and are consistent with the closing package financial statements, except for Other Data Reports No(s). [include number(s) tailored to the entity, such as 1 (Other Data Info Section A and B), 9, 17, and 19] that contain(s) material departures from the prescribed guidelines because [include explanation such as "the information included in these Other Data Reports is limited to the [Entity]'s information that will be used

²⁷ These representations are considered as a supplement to the representations provided in the general-purpose financial statement audit. Auditors may repeat representations from the general-purpose financial statements written representations from management and also include specific items for the closing package financial statements noted below for purposes of the closing package financial statements written representations from management.

for the *Financial Report of the U.S. Government* and does not include all of the information required for the [Entity]'s component level financial statements].

- b. There are no changes in the methods of measurement or presentation of the [RSI and RSSI] from the prior year that have not been disclosed to you, including the reasons for such changes. [If there were no such changes, the underlined text should be omitted].
 - c. There are no significant assumptions or interpretations underlying the measurement or presentation of the [RSI and RSSI] that have not been disclosed to you. [If there are no assumptions or interpretations, the underlined text should be omitted.]
 - d. This closing package submission is in accordance with the *TFM 2-4700* for the compilation of the Financial Report of the U.S. Government. In accordance with that guidance we have omitted the Combining Statement of Budgetary Resources [and] Management's Discussion and Analysis [and include other omitted RSI or RSSI information applicable to the entity] that U.S. GAAP require to be presented to supplement the closing package financial statements.
5. We have fulfilled our responsibilities for the preparation and presentation of the Other Information (OI) included in documents containing the audited financial statements and auditor's report, and for ensuring the consistency of that information with the audited closing package financial statements, RSI, and RSSI.
- a. The OI included in the document containing the audited closing package financial statements and auditor's report is consistent with the closing package financial statements, RSI and RSSI, and contains no material misstatement of fact.
 - b. There are no changes in the methods of measurement or presentation of the OI from the prior year that have not been disclosed to you, including the reasons for such changes. (If there were no such changes, the underlined text should be omitted).
 - c. There are no significant assumptions or interpretations underlying the measurement or presentation of the OI that have not been disclosed to you. (If there are no assumptions or interpretations, the underlined text should be omitted.)
6. We acknowledge our responsibility for maintaining effective internal control over financial reporting, including the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of closing package financial statements that are free from material misstatement, whether due to fraud or error.
7. We have fulfilled our responsibility for maintaining effective internal control over financial reporting. We have fulfilled our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of closing package financial statements that are free from material misstatement, whether due to fraud or error.
8. 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 of which we are aware that is relevant to the preparation and fair presentation of the closing package financial statements, such as records, documentation, and other matters;
 - b. Additional information that you have requested from us for the purpose of the audit including, but not limited to, any communications from the Office of Management and Budget (OMB) concerning noncompliance with, or deficiencies in, financial reporting practices; and
 - c. Unrestricted access to and the full cooperation of personnel within the entity from whom you determined it necessary to obtain audit evidence.
9. Except as disclosed to you in writing, there have been none of the following:
- a. Circumstances that have resulted in communications from [Entity's] legal counsel reporting evidence of a material violation of law or breach of fiduciary duty, or similar violations by [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 closing package financial statements, supplementary information, RSI, RSSI, and OI.
10. All transactions have been recorded in the accounting records and are reflected in the closing package financial statements.
11. There are no deficiencies, significant deficiencies, or material weaknesses in the design or operation of internal control over financial reporting specifically related to the closing package financial statements that existed at any time during the year ended September 30, 20X2.
- If there are deficiencies in internal control over the closing package financial statement reporting process, the foregoing representation should be modified to read: "We have disclosed to you all deficiencies in the design or operation of internal control over financial reporting specific to the closing package financial statements that existed at any time during the year ended September 30, 20X2, and indicated which deficiencies were corrected by September 30, 20X2. We have separately disclosed to you all such deficiencies that we believe to be significant deficiencies or material weaknesses in internal control over financial reporting.*
12. We have disclosed to you the results of our assessment of the risk that the closing package financial statements may be materially misstated as a result of fraud.
13. We have [no knowledge of any] OR [disclosed to you all information that we are aware of regarding] fraud or suspected fraud affecting the entity involving (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 closing package financial statements. [If there is knowledge of any instances, including those that do not result in a material misstatement to the closing package financial statements, describe them.]

14. We have [no knowledge of any] OR [disclosed to you all information that we are aware of regarding] fraud or suspected fraud affecting the [Entity's] closing package financial statements, RSI, and RSSI.
15. We have [no knowledge of any] OR [disclosed to you all information that we are aware of regarding] allegations of fraud or suspected fraud affecting the closing package financial statements communicated by employees, former employees, or others.
16. We have no knowledge of any officer of the [Entity], or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate or mislead you during your audit.
17. There are no instances of non-compliance or suspected non-compliance with laws, regulations, contracts, or grant agreements applicable to [Entity] whose effects should be considered when preparing the closing package financial statements. OR [We have disclosed to you all instances of non-compliance or suspected non-compliance with laws, regulations, contracts, or grant agreements applicable to [Entity] whose effects should be considered when preparing the closing package financial statements.]
18. There are no uncorrected closing package misstatements as we have corrected the closing package financial statements for any misstatements you have identified during the audit and communicated to us. OR [The effects of uncorrected closing package financial statement misstatements in the attached summary are immaterial, both individually and in the aggregate, to the closing package financial statements taken as a whole.] (Note: As discussed in AU-C 580.A12, if management believes that certain of the identified items are not misstatements, management's belief may be acknowledged by adding to the representation, for example, "We believe that items XX and XX do not constitute misstatements because (description of reason).")
19. All intra-entity transactions and balances have been appropriately identified and eliminated for financial reporting purposes [if applicable].
20. All intragovernmental transaction and activities have been appropriately identified, recorded, and disclosed in the financial statements. We have resolved [or have been unable to resolve] material differences in intragovernmental transactions and balances with the Federal entity trading partners and appropriate adjustments have been made to address reconciling items.
21. We have disclosed to you the identities of [Entity's] disclosure entities and related parties²⁸ and all the related relationships and transactions of which we are aware.
22. Disclosure entities and related-party relationships and transactions have been appropriately accounted for and disclosed in the financial statements in accordance with U.S. GAAP and do not prevent the closing package financial statements from achieving fair presentation

²⁸ Related parties are defined in FASAB's SFFAS 47, *Reporting Entity*, paragraphs 80-89.

[Signed by Entity Head]

[Signed by Chief Financial Officer]

Enclosure(s)

**ILLUSTRATIVE WRITTEN REPRESENTATIONS FROM MANAGEMENT FOR THE
GENERAL-PURPOSE 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 [omit if not expressing an opinion on the effectiveness of internal control over financial reporting] audits of the balance sheets of [name of entity] as of September 30, 20X2 and 20X1, [or the dates of the audited financial statements] and the related statements of net costs, changes in net position, budgetary resources, and custodial activity [if applicable] for the years then ended, and [if applicable] the [years presented] statements of social insurance (SOSI) and the statements of changes in social insurance amounts (SCSIA) for the years ended [dates presented], and the related notes to the financial statements, hereinafter referred to as the "financial statements."

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

Except where otherwise stated below, immaterial matters less than \$[Insert amount] collectively are not considered to be exceptions that require disclosure for the purpose of the following representations. This amount is not necessarily indicative of amounts that would require adjustment to or disclosure in the financial statements. Such quantitative materiality considerations do not apply to representations that are not directly related to amounts included in the financial statements, required supplementary information (RSI)²⁹ [if applicable], required supplementary stewardship information (RSSI)³⁰ [if applicable], and other information³¹ [if applicable].

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

²⁹ RSI consists of [insert description].

³⁰ RSSI consists of [insert description].

³¹ Other information consists of [insert description].

Financial Statements, Supplementary Information, RSI, RSSI, and Other Information

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated [insert date of engagement letter], for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles (GAAP), issued by [name of standard setter, such as Federal Accounting Standards Advisory Board 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 supplementary information.]
 - a. The supplementary information is fairly presented in accordance with the applicable criteria and prescribed guidelines.
 - b. There are no changes in the methods of measurement or presentation of the supplementary information from the prior year that have not been disclosed to you, including the reasons for such changes. [If there were no such changes, the underlined text should be omitted.]
 - c. There are no significant assumptions or interpretations underlying the measurement or presentation of the supplementary information that have not been disclosed to you. [If there are no assumptions or interpretations, the underlined text should be omitted.]
3. [If applicable] We have fulfilled our responsibilities for the measurement, preparation, and presentation of the RSI and RSSI in accordance with prescribed guidelines established in U.S. GAAP.
 - a. The RSI and RSSI are measured and presented in accordance with prescribed guidelines in U.S. GAAP and are consistent with the financial statements and contain no material misstatement of fact.
 - b. There are no changes in the methods of measurement or presentation of the RSI and RSSI from the prior year that have not been disclosed to you including the reasons for such changes. [If there were no such changes, the underlined text should be omitted.]
 - c. There are no significant assumptions or interpretations underlying the measurement or presentation of the [RSI and RSSI] that have not been disclosed to you. [If there are no assumptions or interpretations, the underlined text should be omitted.]
4. [If applicable] We have fulfilled our responsibilities for the preparation and presentation of the Other Information (OI) included in documents containing the audited financial statements and auditor's report, and for ensuring the consistency of that information with the audited financial statements, RSI, and RSSI.
 - a. The OI included in the document containing the audited financial statements and auditor's report is consistent with the financial statements, RSI, and RSSI and contains no material misstatement of fact.
 - b. There are no changes in the methods of measurement or presentation of the OI from the

prior year that have not been disclosed to you, including the reasons for such changes. [If there were no such changes, the underlined text should be omitted.]

- c. There are no significant assumptions or interpretations underlying the measurement or presentation of the OI that have not been disclosed to you. [If there are no assumptions or interpretations, the underlined text should be omitted.]
5. Significant assumptions 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) 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, RSSI, and OI.
8. All transactions have been recorded in the accounting records and are reflected in the financial statements.
9. There are no uncorrected misstatements in the financial statements, as we have corrected the financial statements for any misstatements you have identified during the audit and communicated to us. OR The effects of uncorrected financial statement misstatements in the attached summary are immaterial, both individually and in the aggregate, to the financial

statements taken as a whole. (Note: As discussed in AU-C 580.A12, if management believes that certain of the identified items are not misstatements, management's belief may be acknowledged by adding to the representation, for example, "We believe that items XX and XX do not constitute misstatements because (description of reason).")

10. [Entity] has satisfactory title to all owned assets, including stewardship land and heritage assets [if applicable]. There are no liens or encumbrances on these assets and no assets have been pledged.
11. We have no plans or intentions that may materially affect the recognition, measurement, presentation, disclosure, or classification of assets and liabilities.
12. We have disclosed to you the identities of [Entity's] disclosure entities and related parties³² and all the related relationships and transactions of which we are aware.
13. Disclosure entities and related-party relationships and transactions have been appropriately accounted for and disclosed in the financial statements in accordance with U.S. GAAP and do not prevent the financial statements from achieving fair presentation.
14. Guarantees under which [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.

³² Related parties are defined in FASAB's SFFAS 47, *Reporting Entity*, paragraphs 80-89.

Intragovernmental Activities

19. All intra-entity transactions and balances have been appropriately identified and eliminated for financial reporting purposes [if applicable]. All intragovernmental transactions and activities have been appropriately identified, recorded, and disclosed in the financial statements. There are no [or 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 presented³³], 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 noncompliance with which could have a material effect on the financial statements.

³³ 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.

[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 affecting 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, RSI, and RSSI.
35. We have [no knowledge of any] OR [disclosed to you all information that we are aware of regarding] allegations of fraud or suspected fraud affecting the financial statements communicated by employees, former employees, or others.
36. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
37. We have no knowledge of any officer of [Entity], or any other person acting under the direction thereof, having taken any action to fraudulently influence, coerce, manipulate, or mislead you during your audit.

Compliance of Systems with FFMIA

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

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

39. We have assessed the financial management systems to determine whether they comply substantially with Federal financial management systems requirements, Federal accounting standards, 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], including treaties and other international agreements.
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 that we must report to the Congress and the President (and provide a copy of the report to the Comptroller General) for the year ended September 30, 20X2, and through the date of this letter. OR We have reported all known violations of the Antideficiency Act to the Congress and the President (and provided a copy of the report to the Comptroller General) for the year ended September 30, 20X2, and through the date of this letter.

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

[For entities presenting a Statement of Social Insurance (SOSI) and a Statement of Changes in Social Insurance Amounts (SCSIA) see AICPA publication SOP 04-1, *Auditing the Statement of Social Insurance*, (SOP 04-1 § 39) which suggests the following management representations.]

45. Management is responsible for the assumptions and methods used in the preparation of the SOSI and SCSIA. Management agrees with the actuarial methods and assumptions 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 (for example: of January 1, 20X2, and January 1, 20X1, and the valuation dates presented) or changes in the method of collecting data and
 - b. valuation date (for example: of January 1, 20X2, and the other valuation dates presented) and the financial reporting date (of September 30, 20X2, and other financial reporting dates presented) or changes in the method of collecting data.
52. There have been no changes in [or, Changes in the following have been properly reported or disclosed in] laws and regulations affecting social insurance program income and benefits between the
- a. valuation dates (for example: January 1, 20X2, and January 1, 20X1, and other valuation dates presented) and
 - b. valuation date (for example: January 1, 20X2, and other valuation dates presented) and the financial reporting date (of September 30, 20X2, and other financial reporting dates presented).
53. Accounting estimates applicable to the financial information of [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 [If Applicable]

54. The information presented in the [Entity's] Statement of Budgetary Resources is reconcilable to the information submitted in its year-end Reports on Budget Execution and Budgetary Resources (SF-133s). This information will be used as input for the fiscal year 20X 1 actual column of the Program and Financing Schedules reported in the fiscal year 20X3 *Budget of the U.S. Government*. Such information is supported by the related financial records and data.
55. We have disclosed in the financial statements all material dedicated collections as defined by Statement of Federal Financial Accounting Standard 43 [if applicable] and all other material restricted funds [or indicate that there are no material dedicated collections or other material restricted funds that require disclosure in the financial statements].

Service Organizations [If applicable]

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

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

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

[If any such knowledge has been obtained, 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)

ILLUSTRATIVE INDEPENDENT AUDITOR'S REPORT ON CLOSING PACKAGE FINANCIAL STATEMENTS

[Appropriate Addressee]

Report on the Closing Package Financial Statements

We have audited the accompanying Closing Package Financial Statement Report of [name of Entity], which comprise the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reconciliation Report – Reclassified Balance Sheet as of September 30, 20X2, and the related GTAS Reconciliation Reports – Reclassified Statement of Net Cost and Reclassified Statement of Operations and Changes in Net Position for the year then ended, and the related notes to the financial statements (hereinafter referred to as the “closing package financial statements”).³⁴ The notes to the financial statements comprise the following:

- the GTAS Closing Package Lines Loaded Report,
- Financial Report (FR) Notes Report (except for³⁵ information in the FR Notes Report entitled “20X1 – September,” “Prior Year,” “PY,” “Previously Reported,” “Line Item Changes,” “Threshold,” [and the information as of and for the year-ended September 30, 20X1 in the “Text Data” of the FR Notes Reports]), and
- the accompanying Additional Note No. X [insert number³⁶] [(except for³⁷ the information as of and for the year ended September 30, 20X1)].

[Additional paragraph related to the sustainability financial statements]³⁸

Management's Responsibility for the Closing Package Financial Statements

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

³⁴ If the statements of social insurance and statements of changes in social insurance amounts are applicable, the auditor replaces this sentence with the following; “We have audited the accompanying Closing Package Financial Statement Report of [Name of Entity], which comprise the financial statements and the sustainability financial statements (hereinafter referred to as the “closing package financial statements”). The financial statements comprise the Government-wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) Reconciliation Report – Reclassified Balance Sheet as of September 30, 20X2, and the related GTAS Reconciliation Reports – Reclassified Statement of Net Cost and Reclassified Statement of Operations and Changes in Net Position for the year then ended, and the related notes to the financial statements.”

³⁵ See Footnote 21.

³⁶ See Appendix H for the required TFM note to the closing package financial statements.

³⁷ See Footnote 22.

³⁸ See Footnote 23.

Auditor's Responsibility

Our responsibility is to express an opinion³⁹ on these closing package financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 18-xx, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 18-xx require that we plan and perform the audit to obtain reasonable assurance about whether the closing package financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the closing package financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the closing package financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the closing package financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the closing package financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.⁴⁰

Opinion⁴¹

In our opinion, the closing package⁴² financial statements referred to above present fairly, in all material respects, the financial position of [name of Entity] as of September 30, 20X2, and its net costs and changes in net position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter⁴³

³⁹ If the statements of social insurance and statements of changes in social insurance amounts are applicable, the auditor replaces the singular "opinion" with the plural "opinions."

⁴⁰ See Footnote 41.

⁴¹ See Footnote 41.

⁴² If the statements of social insurance and statements of changes in social insurance amounts are applicable, the auditor removes "closing package" from the opinion. In addition, the auditor adds the following opinion on the sustainability financial statements in a separate paragraph immediately following the opinion on the financial statements: "Also, in our opinion, the sustainability financial statements referred to above present fairly, in all material respects, the [name of Federal Agency]'s social insurance information as of September 30, 20X2, and the changes in its social insurance amounts for the year ended September 30, 20X2 in accordance with U.S. GAAP."

⁴³ If the statements of social insurance and statements of changes in social insurance amounts are applicable, the auditor includes the following as the first emphasis of matter paragraph: "As discussed in the Additional Note No. X [insert note number and section letter, such as 31-Z, of the summary of significant accounting principles specific to the statements of

We draw attention to Additional Note No. X [insert number] to the closing package financial statements, which describes that the accompanying closing package financial statements were prepared in accordance with the requirements of the U.S. Department of the Treasury's *Treasury Financial Manual* (TFM) Volume I, Part 2, Chapter 4700 (*TFM 2-4700*) for the purpose of providing financial information to the U.S. Department of the Treasury and the U.S. Government Accountability Office to use in preparing and auditing the *Financial Report of the U.S. Government*, and are not intended to be a complete presentation of the [consolidated] balance sheet of the [name of Entity] as of September 30, 20X2, and the related [consolidated] statements of net cost, [and] changes in net position, combined statements of budgetary resources [and custodial activity], statements of social insurance (if applicable), and the statements of changes in social insurance amounts for the year ended [dates presented] (hereinafter referred to as "general-purpose financial statements"). The notes to the closing package financial statements⁴⁴ are those that the U.S. Department of the Treasury deemed relevant to the *Financial Report of the U.S. Government*. Our opinion⁴⁵ is not modified with respect to this matter.

Other Matters

Opinion⁴⁶ on the General-Purpose Financial Statements

We have audited, in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 18-xx the general-purpose financial statements of [name of Entity] as of and for the years ended September 30, 20X2 and 20X1, and our report thereon, dated November XX, 20X2, expressed an unmodified opinion⁴⁷ on those financial statements.

Required Supplementary Information and Required Supplementary Stewardship Information

social insurance and statements of changes in social insurance] to the financial statements, the sustainability financial statements are based on management's assumptions. These sustainability financial statements present the actuarial present value of the [Name of Entity]'s estimated future income to be received and future expenditures to be paid using a projection period sufficient to illustrate long-term sustainability. The sustainability financial statements are intended to aid users in assessing whether future resources will likely be sufficient to sustain public services and to meet obligations as they come due. The statements of social insurance and changes in social insurance amounts are based on income and benefit formulas in current law and assume that scheduled benefits will continue after any related trust funds are exhausted. The sustainability financial statements are not forecasts or predictions. The sustainability financial statements are not intended to imply that current policy or law is sustainable. In preparing the sustainability financial statements, management considers and selects assumptions and data that it believes provide a reasonable basis to illustrate whether current policy or law is sustainable. Assumptions underlying such sustainability information do not consider changes in policy or all potential future events that could affect future income, future expenditures, and sustainability, for example, implementation of policy changes to avoid trust fund exhaustion or unsustainable debt levels. Because of the large number of factors that affect the sustainability financial statements and the fact that future events and circumstances cannot be estimated with certainty, even if current policy is continued, there will be differences between the estimates in the sustainability financial statements and the actual results, and those differences may be material. Our opinions are not modified with respect to this matter."

⁴⁴ If the statements of social insurance and statements of changes in social insurance amounts are applicable, replace "closing package financial statements" with "financial statements and sustainability financial statements".

⁴⁵ See Footnote 41.

⁴⁶ See Footnote 41.

⁴⁷ See Footnote 41.

U.S. generally accepted accounting principles require that the information, except for such information entitled “20X1 – September,” “Prior Year,” “PY,” “Previously Reported,” “Line Item Changes,” and “Threshold” [and the information as of and for the year ended September 30, 20X1 included in the “Text Data” of the FR Notes Reports and “Other Text Data” of the Other Data Report], included in Other Data Report Nos. [include numbers tailored to the entity, such as 1 (Other Data Info Section A and B only), 3 through 9] be presented to supplement the basic closing package financial statements.

Such information, although not a part of the basic closing package financial statements, is required by the Federal Accounting Standards Advisory Board (FASAB) who considers it to be an essential part of financial reporting for placing the basic closing package financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the closing package financial statements, and other knowledge we obtained during our audits of the closing package financial statements. Although our opinion on the closing package financial statements is not affected, Other Data Report No(s). [include number(s) tailored to the entity, such as 1 (Other Data Info Section A and B), 9, 17, and 18] contain material departures from the prescribed guidelines because [include explanation of the material departures, such as the information included in these Other Data Reports present the required information for the *Financial Report of the U.S. Government* and not the required information for the [name of Entity]'s financial statements]. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted [describe the missing required supplementary information⁴⁸] that U.S. generally accepted accounting principles require to be presented to supplement the closing package financial statements. Such missing information, although not a part of the closing package financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the closing package financial statements in an appropriate operational, economic, or historical context. Our opinion⁴⁹ on the closing package financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming an opinion⁵⁰ on the closing package financial statements as a whole. The information other than that described in the first paragraph and the paragraph labeled *Required Supplementary Information and Required Supplementary Stewardship Information* are presented for purposes of additional analysis in accordance with *TFM 2-4700* and are not a required part of the closing package financial statements. We read the other information included with the closing package financial statements in order to identify material inconsistencies, if

⁴⁸ Examples of information that could be missing include Management's Discussion and Analysis and the combining Statement of Budgetary Resources.

⁴⁹ See Footnote 41.

⁵⁰ See Footnote 41.

any, with the audited closing package financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the closing package financial statements as of and for the year ended September 30, 20X2, and, accordingly, we do not express an opinion or provide any assurances on it.

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards* and OMB Bulletin No. 18-xx, we have also issued reports⁵¹ dated [insert date] on our consideration of [name of Entity]'s internal control over financial reporting and the results of our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters that are required to be reported under *Government Auditing Standards*. Those reports are an integral part of an audit performed in accordance with *Government Auditing Standards* and OMB Bulletin No. 18-xx in considering the [name of Entity]'s internal control and compliance, and should be read in conjunction with this report in considering the results of our audit of the closing package financial statements.

Our audit of the general-purpose financial statements as of and for the year ended September 30, 20X2 disclosed the following material weaknesses, significant deficiencies, and/or compliance and other matters.⁵²

Internal Control over Financial Reporting Specific to the Closing Package Financial Statements⁵³

⁵¹ If an agency's auditor issues a combined report that includes the audit report on the general-purpose financial statements, the report on internal control over financial reporting, and the report on compliance with laws, regulations, contracts, and grant agreements, the language in this section should be modified accordingly.

⁵² Provide a description of material weaknesses, significant deficiencies, material non-compliance and/or other matters identified during the general-purpose financial statement audit.

⁵³ This illustrative report is appropriate if a material weakness is reported in the report on internal control over financial reporting. When a significant deficiency is reported or no deficiencies are reported, the first paragraph under the heading Internal Control over Financial Reporting Specific to the Closing Package Financial Statements should remain and the following language should be used to replace the remainder of the section:

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

Our consideration of internal control for the closing package financial statements was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control

In planning and performing our audit of the closing package financial statements as of and for the year ended September 30, 20X2 we also considered [name of Entity]'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion⁵⁴ on the closing package financial statements, but not for the purpose of expressing an opinion of the effectiveness of [name of Entity]'s internal control. Accordingly, we do not express an opinion on the effectiveness of [name of Entity]'s internal control.

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

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

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

Compliance and Other Matters Specific to the Closing Package Financial Statements

As part of obtaining reasonable assurance about whether [name of Entity]'s closing package financial statements are free from material misstatement, we also performed tests of its compliance with certain

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

⁵⁴ See Footnote 41.

provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the closing package financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit of the closing package financial statements, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 18-xx and which are described in the accompanying⁵⁵ [include the title of the schedule in which the findings are reported (e.g., schedule of findings and responses or schedule of findings and questioned costs)] as items [list the reference numbers of the related findings, for example, 20X2-2 and 20X2-5].

[Name of Entity's] Response to Findings

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

Purpose of the Other Reporting Required by Government Auditing Standards

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

[Signature]

[Auditor's city and state]

[Date]

⁵⁵ If noncompliance is not identified, replace with: The results of our tests of compliance with disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* and OMB Bulletin No. 18-xx.

REQUIRED TFM NOTE TO THE CLOSING PACKAGE FINANCIAL STATEMENTS

Notes to the Closing Package Financial Statements

Additional Note Number X⁵⁶- Closing Package Financial Statement Requirements

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

1. Submit a GTAS ATB that will be used to populate a Reclassified Balance Sheet, Reclassified Statement of Net Cost, and Reclassified Statement of Operations and Changes in Net Position;
2. List closing package financial statement line item amounts identified as Federal by trading partner and amount;
3. Report FR notes information that is based on the Reclassified Balance Sheet line items and other notes information required to meet FASAB standards;
4. Report other data information that is not based on the Reclassified Balance Sheet line items and other data noted information required to meet FASAB standards, and
5. Report the information in the FR Notes Report and Other Data Report entitled "20X1 – September", "Prior Year", "PY", "Previously Reported", "Line Item Changes", and "Threshold"[, and the information as of and for the year-ended September 30, 20X1 included in the "Text Data" of the FR Notes Reports and "Other Text Data" of the Other Data Reports] and the information in the Additional Note X [insert number] related to the prior year balances, for purposes of additional analysis in accordance with *TFM 2-4700*. Such information is are not a required part of the closing package financial statements.

⁵⁶ When an incomplete presentation is financial statements exists, management is required to disclose the purpose of the financial statements. The purpose of the closing package financial statements is detailed within Treasury's TFM and described within a note to the closing package financial statements. Management can make this disclosure either within the summary of significant accounting policies, or as a standalone note. Because the number of notes within GFRS can change each year, this note is being referred to as Additional Note Number X, which should be numbered as the final note in *TFM 2-4700* Appendix 3 requirements plus 1.