

**NOTE:** The illustrative reports included here represent a sampling of the report examples included in chapter 14 of the latest edition of the GAS-SA Guide. Purchase the 2020 edition to access the full set of examples.

These illustrations and the additional illustrations in the 2020 GAS-SA Guide have not been updated to reflect new reporting standards established by AICPA Statements on Auditing Standards (SAS) Nos. 134 through 140. That is because SAS No 141 delayed the effective date of these reporting standards to audits of financial statements for periods ending on or after December 31, 2021. While early implementation of SAS Nos. 134–140 is now permitted, it is recommended that SAS Nos. 134–140 be implemented at the same time. The GAQC is currently developing updated reports that will reflect the requirements of the new reporting standards. Our goal is to post examples on our Illustrative Auditor’s Report page, before the end of the calendar year, for auditors that plan to early adopt the new reporting standards.

#### Note

For auditors that wish to early implement the new reporting standards described in the previous note prior to their effective date (for example, for audits of financial statements for periods ending on or after December 15, 2021), the AICPA Governmental Audit Quality Center (GAQC) is working to develop updated illustrations to reflect the new reporting requirements. Watch the GAQC website for updates that can be accessed at [www.aicpa.org/interest\\_areas/governmentalauditquality/resources/illustrativeauditorsreports.html](http://www.aicpa.org/interest_areas/governmentalauditquality/resources/illustrativeauditorsreports.html).

**14.16** The illustrative reports in this appendix are examples of the reports issued under the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), for a program-specific audit. The following table lists the illustrative reports. Auditors, using professional judgment, may adapt these examples in any situation not specifically addressed in these illustrations. (As discussed in paragraph 14.11, the auditor should, in certain circumstances, issue these program-specific audit reports as well as a separate *Government Auditing Standards* report. The appendix in chapter 4, "Auditor Reporting Requirements and Other Communication Considerations of *Government Auditing Standards*," of this guide illustrates the *Government Auditing Standards* report.)

<b><i>Example No.</i></b>	<b><i>Title</i></b>
14-1	Unmodified Opinion on the Financial Statement of a Federal Program When Using the Program-Specific Audit Option to Satisfy the Uniform Guidance Audit Requirements
14-2	Report on Compliance for a Federal Program and Report on Internal Control Over Compliance When Using the Program-Specific Audit Option to Satisfy the Uniform Guidance Audit Requirements ( <i>Unmodified Opinion on Compliance; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified</i> )

## Example 14-1

### Unmodified Opinion on the Financial Statement of a Federal Program When Using the Program-Specific Audit Option to Satisfy the Uniform Guidance Audit Requirements<sup>3</sup>

#### Independent Auditor's Report

[Appropriate Addressee]

#### **Report on the Schedule of Expenditures of Federal Awards**

We have audited the accompanying schedule of expenditures of federal awards for the [identify the federal program] of Example Entity for the year ended June 30, 20X1, and the related notes (the financial statement).

#### ***Management's Responsibility for the Schedule of Expenditures of Federal Awards***

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on this financial statement based on our audit.<sup>4</sup>

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*,<sup>5</sup> issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances,

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<sup>3</sup> This report example is based on the guidance found in AU-C section 805B, *Special Considerations — Audits of Single Financial Statements and Specific Element, Accounts, or Items of a Financial Statement*. See AU-C section 805B for additional information, for example, if report modifications are needed.

<sup>4</sup> In many cases, the financial statement of the program consists only of the schedule of expenditures of federal awards (and the related notes), which is the minimum financial statement presentation required by 2 CFR 200.507. If the auditee issues financial statements that consist of more than the schedule, both the report title and this paragraph would be modified to describe the financial statements.

<sup>5</sup> The standards and guidance applicable to financial audits are found in chapters 1–6 of *Government Auditing Standards*.

but not for the purpose of expressing an opinion on the effectiveness of the entity'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 accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

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

### **Opinion**

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards<sup>6</sup> for the [identify the federal program] of Example Entity for the year ended June 30, 20X1, in accordance with accounting principles generally accepted in the United States of America.<sup>7,8</sup>

[Auditor's signature]

[Auditor's city and state]<sup>9</sup>

[Date of the auditor's report]

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<sup>6</sup> If the auditee issues financial statements that consist of more than the schedule, this sentence should be modified to identify the results displayed in the financial presentation.

<sup>7</sup> Sometimes the schedule of expenditures of federal awards is prepared using a special purpose framework, such as the cash basis of accounting. In those cases, AU-C section 800B, *Special Consideration — Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks*, provides requirements and guidance for auditor reporting.

<sup>8</sup> If a separate report is issued to meet the reporting requirements of *Government Auditing Standards* (see paragraph 14.11), an additional section with the heading "Other Reporting Required by *Government Auditing Standards*," would be added after the opinion paragraph as follows:

In accordance with *Government Auditing Standards*, we have also issued our report dated [date of report] on our consideration of Example Entity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Example Entity's internal control over financial reporting and compliance.

See chapter 4, "Auditor Reporting Requirements and Other Communication Considerations of *Government Auditing Standards*," of this guide for information regarding modifying report wording when issuing reports required by *Government Auditing Standards*.

<sup>9</sup> AU-C section 700B, *Forming an Opinion and Reporting on Financial Statements*, provides that the auditor's report should name the city and state where the auditor practices. City and state on a firm's letterhead typically is sufficient to meet this requirement. Technical Questions and Answers (Q&A) section 9100.08, "Audit Firm With Multiple Offices on Their Company Letterhead and Effect on Report" notes that when a firm's letterhead contains multiple office locations, the auditor would need to indicate the city and state where the auditor practices in the auditor's report.

Q&A sections are "other auditing publications." In applying the auditing guidance included in an other auditing publication, the auditor should, exercising professional judgment, assess the relevance and appropriateness of such guidance to the circumstances of the audit. Other auditing publications have no authoritative status; however, they may help the auditor understand and apply GAAS. The auditor is not expected to be aware of the full body of other auditing publications. The auditor may presume that other auditing publications published by the AICPA that have been reviewed by the AICPA Audit and Attest Standards staff are appropriate.

All Q&A sections can be found in *Technical Questions and Answers*.

## Example 14-2

### Report on Compliance for a Federal Program and Report on Internal Control Over Compliance When Using the Program-Specific Audit Option to Satisfy the Uniform Guidance Audit Requirements<sup>10</sup>

*(Unmodified Opinion on Compliance; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)*<sup>11</sup>

#### Independent Auditor's Report

[Appropriate Addressee]

#### **Report on Compliance for [identify the federal program]<sup>12</sup>**

We have audited Example Entity's compliance with the types of compliance requirements<sup>13</sup> described in the *OMB Compliance Supplement* that could have a direct and material<sup>14</sup> effect on its [identify the federal program] for the year ended June 30, 20X1.

#### **Management's Responsibility**

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of federal awards applicable to [identify the federal program].

#### **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for Example Entity's [identify the federal program] based on our audit of the types of compliance requirements referred to above.

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<sup>10</sup> This is an example of a report on a program-specific audit under the Uniform Guidance audit requirements when no current federal audit guide applicable to the program being audited is available. When a current federal audit guide applicable to the program is available the auditor must follow the reporting requirement of that federal audit guide. (Paragraph 14.04 discusses the auditor's responsibility when a program-specific audit guide is not current.)

<sup>11</sup> This is an example of a report illustrating an unmodified opinion on compliance and no material weaknesses or significant deficiencies in internal control over compliance identified. Auditors should modify this illustrative report as needed in different situations (for example, for situations where the auditor is issuing a qualified or adverse opinion on compliance or reporting significant deficiencies or material weaknesses). The portions of examples 13-2–13-6 in the appendix of chapter 13, "Auditor Reporting Requirements and Other Communication Considerations in a Single Audit," of this guide that apply to a specific auditee situation in a single audit may be useful in modifying this report.

<sup>12</sup> This report sequences the reporting on compliance before the reporting on internal control over compliance. However, the *Government Auditing Standards* reports in the appendix of chapter 4 of this guide sequence the reporting on internal control over financial reporting before the reporting on compliance and other matters. Auditors may present the internal control over compliance and compliance sections of Uniform Guidance and *Government Auditing Standards* reports in whichever sequence better meets their needs.

<sup>13</sup> Under 2 CFR 200.516, the auditor's determination of whether noncompliance with federal statutes, regulations, and the terms and conditions of federal awards is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program identified in the *OMB Compliance Supplement (Compliance Supplement)*. Further, the auditor's determination of whether a deficiency in internal control over compliance is a material weakness or significant deficiency for the purpose of reporting an audit finding is also in relation to a type of compliance requirement for a major program identified in the *Compliance Supplement*. This reference to *type of compliance requirements* used here and elsewhere in this report illustration refers to the 12 types of compliance requirements described in Part 3 of the *Compliance Supplement*.

<sup>14</sup> See footnote 8 in paragraph 14.09.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*,<sup>15</sup> issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Award* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on [identify the federal program] occurred. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for Example Entity's [identify the federal program]. However, our audit does not provide a legal determination of Example Entity's compliance.

### ***Opinion on Compliance for [identify the federal program]***

In our opinion, Example Entity complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its [identify the federal program] for the year ended June 30, 20X1.

### ***Other Matters***<sup>16</sup>

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 20X1-001 and 20X1-002].<sup>17,18</sup> Our opinion on Example Entity's [identify the federal program] is not modified with respect to these matters.

Example Entity's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.<sup>19,20</sup>

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<sup>15</sup> See footnote 5.

<sup>16</sup> When there are no findings that are required to be reported, this "Other Matters" section of the report would be omitted.

<sup>17</sup> Finding reference numbers must follow the format meeting the requirements of the data collection form submission, that is, the fiscal year being audited, a hyphen, and a three-digit sequence number. For example, findings identified and reported in the audit of fiscal year 20X1 would be assigned reference numbers 20X1-001, 20X1-002 ... 20X1-999.

<sup>18</sup> The auditor may also consider adding a table to this section of the report to more clearly communicate the other findings that are being reported and the requirements to which they relate. See example 13-4 in the appendix of chapter 13 for an example of a table approach that could be modified for this purpose.

<sup>19</sup> Although not required, the auditor may include this paragraph to clarify that the auditor is not providing an opinion on management's response. Furthermore, as described in chapter 13, the auditor may choose to add an additional paragraph to clarify that the auditor is not providing an opinion on management's corrective action plan. See chapter 13 for illustrative report language for this situation.

<sup>20</sup> Although the auditor does not audit management's responses to identified findings, the auditor is required to report the views of responsible officials under the Uniform Guidance. See chapter 13 for information regarding presenting the views of responsible officials in an audit finding.

**Report on Internal Control Over Compliance<sup>21</sup>**

Management of Example Entity is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Example Entity's internal control over compliance with the types of requirements that could have a direct and material effect on its [identify the federal program] to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its [identify the federal program] and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Example Entity's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.<sup>22</sup>

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the

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<sup>21</sup> This example illustrates a combined report that also includes the reporting on internal control over compliance. If an auditor prefers to issue a separate report on internal control over compliance, this section would be omitted from the report. AU-C section 935B, *Compliance Audits*, includes required elements for separate reporting on internal control over compliance.

<sup>22</sup> Although the definitions of *deficiency in internal control over compliance* and *material weakness in internal control over compliance* are required in all reporting, the definition of *significant deficiency in internal control over compliance* is not required to be included in the report when no significant deficiencies in internal control over compliance have been identified. However, for clarity purposes, the definition of *significant deficiency in internal control over compliance* is included in this example report regardless of the type of deficiencies identified. The definitions included in this report are based on the definitions found in AU-C section 935B.

Uniform Guidance. Accordingly, this report is not suitable for any other purpose.<sup>23</sup>

[Auditor's signature]

[Auditor's city and state]<sup>24</sup>

[Date of the auditor's report]

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<sup>23</sup> This paragraph has been adapted from AU-C section 905B, *Alert That Restricts the Use of the Auditor's Written Communication*, to relate to the reporting on internal control over compliance that is required in an audit of compliance in accordance with the Uniform Guidance.

<sup>24</sup> See footnote 9.