

STATE OF NEW MEXICO
OFFICE OF THE STATE AUDITOR



AUDIT DOCUMENTATION REVIEW GUIDE

Updated March 2017

To be used for working paper reviews of FY16 Audit Reports

Agency _____	Fiscal Year Ended _____	Agency No. _____
Auditor/Firm _____	Date Report Released _____	
Type of workpapers (i.e. paper, ProFx Engagement, etc.) _____		

Purpose: The purpose of this audit documentation review guide is to determine if the audit documentation for this engagement meets the requirements of 2.2.2 NMAC and applicable auditing, accounting and financial reporting standards and related requirements. The purpose of this checklist is to ensure the scope of the audit documentation review is consistent and sufficient to form a conclusion on the quality of work performed. OSA reserves the right to look at anything related to the engagement, even if it is not specifically addressed in this guide.

Description: The first section of the checklist is organized by category of AU-C sections. The second section of the checklist is the Single Audit section. All questions in the checklist have been designed to show “yes” or “n/a” (not applicable) answers as favorable responses. All unfavorable responses, “no,” must be fully explained. If a “no” answer is determined by the review to be a deficiency then it should be addressed in the letter to the IPA summarizing the deficiencies in the audit documentation. Unfavorable answers may identify issues that require further review but do not automatically mean that the auditor did not comply with the applicable auditing standard. The reviewer must exercise professional judgment when determining compliance with an auditing standard.

References:

Speed link All of the references listed below can be found in our in-house Checkpoint system; except for the State Audit Rule 2016 and the NM One Source (or, www.conwaygreene.com).

AAG-SLV *AICPA Audit and Accounting Guide State and Local Governments* (Updated as of March 1, 2016)

AAG-GAS *AICPA Audit Guide: Government Auditing Standards and Circular A-133 Audits* (Updated as of April 1, 2016)

AC *Financial Accounting Standards Board (FASB), Current Text*

G-05 *Governmental Accounting, Auditing, and Financial Reporting (copy written 2012)*

GAGAS *United States General Accounting Office, Government Auditing Standards, 2011 Revision (Yellow Book)*

GASB *Codification of Governmental Accounting and Financial Reporting Standards (latest version)*

OMB A-133 *Office of Management Budget (OMB) Circular A-133, Audits of State and Local Governments and Non-Profit Organizations, Revised April 1, 2011*

Uniform Guidance

SAO Rule 2.2.2 NMAC, *Requirements for Contracting and Conducting Audits of Agencies*, March 15, 2016 (Unless another version is specified)

AU-C	AICPA Statements on Auditing Standards No. 122 (Clarification and Recodification) through No. 131
ET	Code of Professional Conduct in AICPA Professional Standards

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I. GENERAL REVIEW

(A) Review the audit report for the agency being reviewed. Ensure that all of the findings are properly supported in the workpapers.

(B) Review the most recent workpaper review deficiency letter for the IPA. Ensure all prior comments are resolved.

(C) Determine whether there was an SID referral for the agency. If so, ensure the workpapers adequately support the IPA's response to the SID referral.

II. GENERAL PRINCIPLES AND RESPONSIBILITIES

(A) Overall Objectives of the IPA and Audit in Accordance with GAAS:

- (1) Did all staff working on the engagement meet the CPE requirements of GAGAS Section 3.76?
 - i. Obtain CPE certificates for each member of the audit team. Ask when the firm's 2 year reporting period began and ends. During the firm's 2 year reporting period:
 - a. Ensure all the auditors have at least 24 hours of CPE that directly relates to government auditing, or the government environment.
 - b. Ensure that the auditors who are involved in any amount of planning, directing, or reporting on the audit have an additional 56 hours of CPE that enhances the auditor's professional proficiency to perform audits (for a total of at least 80 hours). Auditors required to take the total 80 hours of CPE should complete at least 20 hours of CPE in each year of the 2-year periods.

[illegible]

The auditor must be independent of the entity when performing an engagement in accordance with GAAS unless (a) GAAS provides otherwise or (b) the auditor is required by law or regulation to accept the engagement and report on the financial statements. When the auditor is not independent and neither (a) nor (b) are applicable, the auditor is precluded from issuing a report under GAAS. (AU-C 200.15).

- (2) If any threat to independence was noted, did the auditor document threats to independence that require the application of safeguards, along with safeguards applied, in accordance with the conceptual framework for independence, and related conclusions? (GAGAS 3.23-24, AU-C 220.13 and AU-C 220.25(b))
- (3) Have engagement personnel been appropriately advised of the need to observe applicable independence, integrity and objectivity requirements?
- (4) Were all fees for any professional services provided more than one year prior to the date of report paid?

[illegible]

- (5) Inquire whether the auditor had any professional service contracts (PSCs) with the auditee. Review any such PSCs that exist. Did OSA give prior written approval for all the PSCs that the audit firm had with this audit client, as required by 2.2.2.8(L)(1) and (2) NMAC? If the auditor did not obtain prior written approval from the OSA, and the IPA performed the professional services for the agency audited, was there a related finding of noncompliance with Section 2.2.2.8(L) NMAC?
- (6) Did the auditor document consideration of audited agency management's ability to effectively oversee any nonaudit service to be provided by the auditor (including preparation of the financial statements), if such services were conducted? (GAGAS 3.20)
- (7) If applicable, did the auditor document the understanding with the audited entity regarding the following aspects of any nonaudit services to be performed: the objectives; the services to be performed; the audited entity's acceptance of its responsibilities; the auditor's responsibilities; and any limitations of the nonaudit service? (GAGAS 3.30)
- (8) Ensure audit contract and OSA approval letter are included in the workpapers. If the audit contract includes work in addition to the financial statement audit (e.g. single audit, etc.), ensure that work was completed.
- (9) Ensure the trial balance after adjustments ties to the issued financial statements.

(B) Audit Documentation:

- (1) Is the report release date included in the audit documentation? (AU-C 230.15)
- (2) Was the assembly of the audit documentation completed with 60 days of the report release date? (AU-C 230.16)
- (3) If the auditor found it necessary to modify existing audit documentation or add new audit documentation after the documentation completion date, did the auditor document: (a) the specific reasons for making the changes; and (b) when and by whom they were made and reviewed? (AU-C 230.18)
- (4) Does the auditor have reasonable procedures to maintain the confidentiality of client information? (AU-C 230.19)
- (5) Is the audit documentation assembled in one complete file or one complete set of files in one location, whether the documentation is hardcopy or electronic, as required by AU-C 230.16?
- (6) Is the auditor's record retention policy at least 5 years from report release date? (AU-C 230-17)

(C) Consideration of Fraud:

- (1) Do the audit work papers document the significant decisions reached during the discussion among the engagement team regarding the susceptibility of the entity's financial statements to material misstatement due to fraud, how and when the discussion occurred and the audit team members who participated? (AU-C 240.43(a))
- (2) Does the team discussion documentation show that the engagement partner participated in the discussion? (AU-C 240.15)
- (3) Do the work papers document the identified and assessed risks of material misstatement due to fraud at the financial statement level and at the assertion level? (AU-C 240.43(b))
- (4) Do the working papers show that the auditor tested journal entries and other adjustments? (AU-C 240.32(a) and AU-C 240.A47)

- (5) If the auditor concluded that the presumption of risk of material misstatement due to fraud related to revenue recognition was overcome in this specific engagement, did the auditor document the reasons for that conclusion? (AU-C 240.46)
- (6) Did the auditor perform analytical procedures relating to revenue near the end of the audit? (AU-C 240.34)
- (7) Does the audit documentation include communications about fraud made to management, those charged with governance, regulators, and others? (AU-C 240.45) If the auditor obtained information that indicated that a fraud may exist, did the auditor communicate these matters on a timely basis to the appropriate level of management (AU-C 240.39) or those charged with governance if; management or employees with significant roles in internal controls are involved; or when the fraud results in a material misstatement in the financial statements? (AU-C 240.40)
- (8) Pursuant to Section 12-6-6 NMSA 1978 and Section 2.2.2.10(K)(2) NMAC (Criminal Violations), did the agency or IPA notify the State Auditor immediately, in writing, upon discovery of any violation of a criminal statute in connection with financial affairs of the agency? Did the notification include an estimate of the dollar amount involved, and a complete description of the violation, including names of persons involved and any action taken or planned?

(D) Consideration of Laws and Regulations:

- (1) Did the auditor obtain sufficient appropriate audit evidence regarding material amounts and disclosures in the financial statements that are determined by the provisions of those laws and regulations generally recognized to have a direct effect on the material amounts and disclosures? (AU-C 250.13)
- (2) Did the auditor perform the following procedures to identify instances of noncompliance with other laws and regulations that may have a material effect on the financial statements:
- Inquiry of management and when appropriate, those charged with governance about whether the entity is in compliance with such laws and regulations;
 - Inspecting correspondence, if any, with the relevant licensing or regulatory authorities? (AU-C 250.14)
- (3) Did the auditor obtain the following written representation from management regarding the entity's compliance with laws and regulations? (AU-C 250.12(b)) The auditor should request management to provide written representations that all instances of identified or suspected noncompliance with laws and regulations whose effects should be considered by management when preparing financial statements have been disclosed to the auditor. (AU-C 580.13) Does the audit documentation include a description of identified or suspected noncompliance with laws and regulations and the results of discussion with management and, when applicable, those charged with governance and other parties inside or outside the entity? (AU-C 250.28)

Various Compliance Tests Required By The Audit Rule

- (1) For audits of school districts, does audit documentation show the auditor tested for compliance with PED Regulations 6.20.2 NMAC, Governing Budgeting and Accounting for New Mexico Public Schools and School Districts and the Manual of Procedures, primarily Supplement 7, Cash Controls? (2.2.2.12(C)(4)(a) NMAC)
- (2) For Colleges and Universities: did the auditor compare the financial statement budget comparison to the related September 15th budget submission to Higher Education Department? The only differences that should exist between the HED budget submission and the financial statement budget comparisons are (1) adjustments made by the institution after September 15th and (2) audit adjustments. If the HED budget submission does not tie to the financial statement comparison, taking into account only those differences, then the auditor should write a related finding. (Section 2.2.2.12(E)(2) NMAC)

- i. Procurement Code (13-1-1 to 13-1-199 NMSA 1978)
- ii. Per Diem and Mileage Act (Section 10-8-1 to 10-8-8 NMSA 1978) and Regulations Governing the Per Diem and Mileage Act 2.42.2 NMAC,
- iii. Public Money (Sections 6-10-1 to 6-10-63 NMSA 1978) including the requirements of Section 6-10-10(A) and (B) that county and municipal treasurers deposit money in their respective counties, and the requirement of Section 6-10-17 that the agency receive a joint safe keeping receipt for pledged collateral
- iv. Public School Finance Act (Sections 22-8-1 to 22-8-48 NMSA 1978);
- v. Investment of Public Money (Sections 6-8-1 to 6-8-21 NMSA 1978);
- vi. Public Employees Retirement Act (10-11-1 to 10-11-141 NMSA 1978) Auditors should test to ensure that 100% of payroll is reported to PERA.
- vii. Educational Retirement Act (22-11-1 to 22-11-53 NMSA 1978)
- viii. Sale of Public Property/Agency Notification to State Auditor is required when capital assets are disposed of (13-6-1 to 13-6-8 NMSA 1978)
- ix. Sale/disposal of digital equipment that agency certified in writing the properly erased or destroyed. (13-6-1 NMSA 1978)
- x. Anti-Donation Clause (NM Constitution Article IX, Section 14)
- xi. Special, Deficiency, Specific, and Capital Outlay Appropriations - Did the auditor include a supplementary schedule in the notes to financial statements showing the following information: the original appropriation; the appropriation period; expenditures to date; outstanding encumbrances and unencumbered balances? This is a special requirement of the State Auditor. (Sections 2.2.2.10(P)(2)(a) and (b) NMAC)
- xii. State Budgets (Sections 6-3-1 to 6-3-25 NMSA 1978), state agencies only
- xiii. Lease Purchase Agreements (New Mexico Constitution Article IX, Section 8 and 11; Section 6-6-11 to 6-6-12 NMSA 1978; Montano v. Gabaldon, 108 NM 94, 766 P.2d 1328. 1989)
- xiv. Accounting and Control of Fixed Assets of State Government (2.20.1.1 to 2.20.1.18 NMAC) Note that this GSD Rule has not been updated for GASB 34 as applicable.
- xv. 2.2.2 NMAC, Requirements for Contracting and Conducting Audits of Agencies
- xvi. Article IX of the State Constitution limits on indebtedness
- xvii. For agencies receiving general fund appropriations, Laws of 2015 Regular Session, Section 3, Subsection J states, "Except for gasoline credit cards used solely for operation of official vehicles, telephone credit cards used solely for official business and procurement cards used as authorized by Section 6-5-9(1), NMSA 1978, none of the appropriations contained in the General Appropriation Act of 2015 may be expended for payment of agency-issued credit card invoices";
- xviii. Retiree Health Care Authority Act (Section 10-7C-1 to 10-7C-19 NMSA 1978) auditors should test to ensure 100% of payroll is reported to NMRHCA. RHCA employer and employee contributions are set forth in Section 10-7C-15, NMSA 1978. As of June 30, 2012, the contribution rates did increase; see the applicable statute for more information.
- xix. Governmental Conduct Act (Sections 10-16-1 to 10-16-18, NMSA 1978).

[illegible]

- (4) If applicable to the agency's audit contract, the auditor shall perform additional audit procedures indicated in the "other provision section" of the audit contract. For example, the testwork on earmarked funds for the school districts.
- (5) If the IPA received a referral letter related to the entity, did the auditor perform sufficient audit procedures related to the OSA referral. (Section 2.2.2.8.L(4))
- (6) If the entity had repeat findings did auditor document how they reviewed and determined the management's progress in implementing the corrective action plan or their lack of progress towards implementing the corrective action plan. (Sections 2.2.2.10.I(ii).

(E) Auditor's Communication With Those Charged With Governance:

The communication requirements of AU-C 260 do not apply to communications with management unless they are also charged with a governance role. (AU-C 260.01)

Y	N	N A	W P

- (1) Did the auditor communicate with those charged with governance the auditor's responsibilities with regard to the financial statement audit, including that: the auditor is responsible for forming and expressing an opinion about whether the financial statements that have been prepared by management, with the oversight of those charged with governance, are prepared, in all material respects, in accordance with the applicable financial reporting framework; and the audit of the financial statements does not relieve management or those charged with governance of their responsibilities? (AU-C 260.10) (Is the engagement letter addressed to the governing body as well as management, and does it include this language?)
- (2) Did the auditor communicate with those charged with governance an overview of the planned scope and timing of the audit? (AU-C 260.11) (Is the engagement letter addressed to the governing body as well as management, and does it include this language?)

- (3) Did the auditor communicate with those charged with governance:

- i. the auditor's views about qualitative aspects of the entity's significant accounting practices, including accounting policies, accounting estimates, and financial statement disclosures; when applicable, did the auditor (i) explain to those charged with governance why the auditor considers a significant accounting practice that is acceptable under the applicable financial reporting framework not to be most appropriate to the particular circumstances of the entity and (ii) determine that those charged with governance are informed about the process used by management in formulating particularly sensitive accounting estimates, including fair value estimates, and about the basis for the auditor's conclusions regarding the reasonableness of those estimates;
- ii. significant difficulties, if any, encountered during the audit;
- iii. disagreements with management, if any; and
- iv. other findings or issues, if any, arising from the audit that are, in the auditor's professional judgment, significant and relevant to those charged with governance regarding their responsibility to oversee the financial reporting process? (AU-C 260.12)

- (4) Did the auditor communicate with those charged with governance:

- i. uncorrected misstatements accumulated by the auditor and the effect that they, individually or in the aggregate, may have on the opinion in the auditor's report; does the auditor's communication identify material uncorrected misstatements individually; did the auditor request that uncorrected misstatements be corrected; and
- ii. the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole? (AU-C 260.13)

- (5) If not all of those charged with governance are involved in management, did the auditor also communicate:

- i. material, corrected misstatements that were brought to the attention of management as a result of audit procedures;

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- ii. significant findings or issues, if any, arising from the audit that were discussed, or the subject of correspondence, with management;
 - iii. the auditor's views about significant matters that were the subject of management's consultations with other accountants on accounting or auditing matters when the auditor is aware that such consultation has occurred; and
 - iv. written representations the auditor is requesting? (AU-C 260.14)
- (6) When communications required by AU-C 260 have been communicated orally, did the auditor include them in the audit documentation, including when and to whom they were communicated? When such matters were communicated in writing, did the auditor retain a copy of the communication as part of the audit documentation? (AU-C 260.20)
- (7) If the auditor communicated these matters in writing, did the communication include the statement that it was intended solely for the information and use of those charged with governance, and if appropriate management, and was not intended to be, and should not be, used by anyone other than these specified parties? (AU-C 260.17)
- (8) Did the auditor hold an exit conference with representatives of the agency's governing authority and top management including representatives of any component units (housing authorities, charter schools, hospitals, foundations, etc.) if applicable as required by Section 2.2.2.10(J)(1) NMAC?
- (9) Did the IPA present the audit report to a quorum of the governing authority of the agency as required by Section 2.2.2.10(J)(3) NMAC?

(F) Communicating Internal Control Related Matters Identified in an Audit:

- (1) If the auditor identified one or more deficiencies in internal control, did the auditor evaluate each deficiency to determine, on the basis of the audit work performed, whether, individually or in combination, they constituted significant deficiencies or material weaknesses? (AU-C 265.09)
- (2) Did the auditor include the following information in the written communication of significant deficiencies and material weaknesses, pursuant to AU-C 265.14:
- i. the definition of the term material weakness and, when relevant, the definition of the term significant deficiency;
 - ii. a description of the significant deficiencies and material weaknesses and an explanation of their potential effects;
 - iii. sufficient information to enable those charged with governance and management to understand the context of the communication; in particular, the auditor should include in the communication the following elements that explain that (i) the purpose of the audit was for the auditor to express an opinion on the financial statements; (ii) the audit included consideration of internal control over financial reporting 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 internal control; (iii) the auditor is not expressing an opinion on the effectiveness of internal control; (iv) the auditor's consideration of internal control 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; and
 - iv. an appropriate alert that restricts the use of the auditor's written communication.
- (3) If the auditor issued a report on internal controls stating that there were no material weaknesses identified, did the written communication include items (i), (iii) and (iv) above? (AU-C 265.15)

Y	N	N A	W P

- (4) Does the audit documentation show that the auditor communicated to management at an appropriate level of responsibility, on a timely basis, in writing, significant deficiencies and material weaknesses that the auditor had communicated or intended to communicate to those charged with governance, unless it would be inappropriate to communicate directly to management in the circumstances? (AU-C 265.12)
- (5) Does the audit documentation show that when the auditor detected any deficiencies in internal controls or immaterial violations of provisions of contracts or grant agreement or abuse, that did not rise to the level of a significant deficiency, but were required to be reported by Section 12-6-5 NMSA 1978, the auditor included those instances in a written finding and included the finding(s) in the "Compliance and Other Matters" section of the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*? (Section 2.2.2.10(R)(2) NMAC)

III. RISK ASSESSMENT AND RESPONSE TO ASSESSED RISKS

(G) Planning the Audit:

- (1) Do the working papers document the engagement partner and other key members of the engagement team were involved in planning the audit, including planning and participating in the discussion among engagement team members (AU-C 300.05)?
- (2) Do the working papers include the equivalent of an "Engagement Acceptance Form" or an "Engagement Continuance Form" for a continuing client where the auditor documented the following in accordance with AU-C 300.06?
- The performance of procedures regarding the acceptance of the client relationship and the specific audit engagement;
 - Evaluation of engagement team compliance with relevant ethical requirements (independence) in accordance with AU-C Section 200; and
 - Establishing an understanding of the terms of the engagement as required by AU-C Section 210.
- (3) Did the auditor document the overall audit strategy as required by AU-C 300.05-.14 and address the applicable issues described below? The overall audit strategy can be as simple as a brief memorandum stating the overall audit strategy. Did the auditor:
- Determine the overall audit strategy that defines its scope, timing and direction of audit. (AU-C 300.07)
 - Ascertain the reporting objectives of the engagement;
 - Consider important factors that, in the auditor's professional judgment, were significant in directing the audit team's efforts:
 - Materiality levels for the financial statements as a whole;
 - Identification of areas where there may be higher risks of material misstatement;
 - Identification of material locations and account balances;
 - Whether the auditor plans to obtain evidence regarding the operating effectiveness of internal control;
 - Identification of recent significant entity-specific, industry, financial reporting, or other relevant developments; and
 - Results of preliminary engagement activities and, when applicable, whether knowledge gained on other engagements performed by the engagement partner for the entity is relevant.
 - Ascertain the nature, timing and extent of resources necessary to perform the engagement. AU-C 300.08
- (4) In accordance with AU-C 300.09 and 300.14, did the auditor document the audit plan and did the audit plan include a description of:

Y	N	N A	W P

- (2) Did the auditor document the determination of materiality at the individual fund level as required by the Audit Rule? (2.2.2.10(A)(2)(a) NMAC) (The exception is audits of colleges and universities. The materiality for these engagements is described at 2.2.2.12(E)(3) NMAC.)
- (3) If applicable, did the auditor document revisions of materiality for the financial statements as a whole, materiality level or levels for particular classes of transactions, account balances, fund level, or disclosures? Did the auditor document any revision to materiality as the audit progressed? (AU-C 320.14)

(J) Audit Procedures in Response to Assessed Risks and Evaluation of the Audit Evidence Obtained:

- (1) Were audit procedures responsive to the assessed risks of material misstatement at the financial statement level? (There should be a clear linkage between the nature, timing, and extent of the auditor's further audit procedures and the risk assessments.) (AU-C 330.05) The PPC example forms for this documentation is *ALG-CX-6.1, Entity Risk Factors* and *ALG-CX-7.1, Risk Assessment Summary form*.
- (2) Were audit procedures responsive to the assessed risks of material misstatement at the relevant assertion level? (There should be a clear linkage between the nature, timing, and extent of the auditor's further audit procedures and the risk assessments.) (AU 330.06-.24)
 - i. Section 2.2.2.10(P) NMAC requires the auditor to test internal controls
 - a. Did the auditor document the determination of which key internal controls were suitably designed? PPC forms that are an example of this type of documentation are *ALG-CX-4.1* and *ALG-CX-5.1 through ALG-CX-5.6*.
 - b. Did the auditor document tests of internal controls including designing and performing tests of controls to obtain sufficient audit evidence about the operating effectiveness of relevant controls? (AU-C 330.08-.11)
 - c. Did the auditor evaluate the operating effectiveness of controls including specific inquiries the understand deviations and their potential consequences? (AU-C 330.17)
 - d. If the auditor found instances where management's internal control was well designed, but did not work properly when tested, did the auditor write a related finding? (Section 2.2.2.10(I)(1) NMAC).
 - ii. If the auditor used information about the entity and its environment that was obtained in a prior period, did the auditor consider and determine whether changes occurred that affected the relevance of that information in the current audit? Did the auditor make the inquiries and perform other appropriate audit procedures such as walkthroughs of systems? (AU 330.13-.14)
 - iii. Did the auditor design and perform substantive procedures for all relevant assertions related to each material class of transactions, account balance and disclosure? (AU-C 330.18)
 - a. Did the auditor perform procedures related to the financial statement closing process? (AU-C 330.21)
 - b. If the auditor determined that an assessed risk of material misstatement at the relevant assertion level is a significant risk, did the auditor perform substantive procedures that were specifically responsive to that risk? (AU-C 330.22)
 - iv. If substantive procedures were performed at an interim date, the auditor should cover the remaining period by performing (a) substantive procedures, combined with tests of controls for the intervening period or if the auditor determines that it is sufficient, further substantive procedures only. (AUC 330.23)
- (3) Did the auditor document the results of audit procedures, including conclusions (if the conclusions were not otherwise clear)? (AU-C 330.30)
 - i. Did the auditor evaluate based on the audit procedures performed whether the assessments of risk of material misstatement at the relevant assertion level remained appropriate? (AU-C 330.27)
 - ii. Did the auditor conclude whether sufficient appropriate audit evidence was obtained? (AU-C 330.28)
 - ii. If the auditor did not obtain sufficient audit evidence, did the auditor express a modified opinion on the financial statements? (AU-C 330.29)

(K) Audit Considerations Relating to an Entity Using a Service Organization:

- (1) During the planning of the audit, did the auditor determine whether the auditee used a service organization to process certain transactions as required by standards? See AU-C 402 for additional information on making the determination regarding whether an agency is using a service organization.
 - i. If the auditee is a housing authority that uses a fee accountant, did the auditor perform this evaluation?
- (2) If the auditor determined a service organization was used where services provided were relevant to the audit of a user entity's financial statements and those services and the controls over them affect the user entity's information system, including related business processes, relevant to financial reporting (AU-C 402.03):
 - i. Did the auditor obtain an understanding of how the entity utilized the service organization in their operations? (AU-C 402.09) *Obtaining and reading a type 1 or type 2 report is considered obtaining an understanding. See AU-C 402.12-.14 for specific requirements.*
- (3) Did the auditor inquire of management whether the service organization had reported or is aware of any fraud, noncompliance with laws and regulations, or uncorrected misstatements affecting the financial statements of the auditee and evaluate how such matters, if any, affected the nature, timing and extent of further audit procedures? (AU-C 402.19)
- (4) Reporting by the auditor:
 - i. If the auditor was unable to obtain sufficient appropriate audit evidence regarding the use of the service organization, was the auditor's opinion modified? (AU-C 402.20)
 - ii. If an unmodified opinion was given, the auditor should not reference the work of the service auditor. Did the auditor refrain from referencing the service auditor? (AU-C 402.21)
 - iii. If reference to the work of a service auditor was relevant to an understanding of a modification of the auditor's opinion, did the auditor's report indicate that such reference did not diminish the auditor's responsibility for that opinion? (AU-C 402.22)

Y	N	N	W
A	P		

(L) Evaluation of Misstatements Identified During the Audit:

- (1) Did the auditor document the amount below which misstatements would be regarded as clearly trivial? (AU-C 450.12(a))
- (2) Did the auditor document all misstatements identified during the audit, other than those that were clearly trivial and document whether they had been corrected? (AU-C 450.05, 450.12 (b))
- (3) If the aggregate of misstatements accumulated during the audit approached materiality or the nature and circumstances of identified misstatements indicated that other misstatements may have existed that could have been material in aggregate, did the auditor determine whether the overall audit strategy and audit plan should be revised? (AU-C 450.06)
- (4) Did the auditor communicate all misstatements accumulated during the audit on a timely basis with the appropriate level of management? (AU-C 450.07)
 - i. If management refused to correct some or all of the misstatements communicated by the auditor, did the auditor obtain an understanding of management's reasons for not making the corrections and take that understanding into account when evaluating whether the financial statements as a whole were free from material misstatement? (AU-C 450.09)
- (5) Did the auditor document a determination of whether uncorrected misstatements were material, either individually or in the aggregate, and document the basis for the conclusion? (AU-C 450.11)

Y	N	N	W
A	P		

IV. AUDIT EVIDENCE

(M) Audit Evidence -General

- (1) As required by AU-C 500.06 did the auditor design and perform audit procedures that are appropriate in the circumstance for the purpose of obtaining sufficient appropriate audit evidence? This question should be completed after the rest of the questions in the audit evidence section.
- (2) Before the audit report was issued, did the auditor document evidence of supervisory review of the evidence that supports the findings, conclusions, and recommendations contained in the auditor's report? (GAGAS 4.15(a))
- (3) Is there documentation in the audit workpapers that supports the implementation of GASB 72 – Fair Value Measurement and Application? If the agency did not implement GASB 72, did the auditor document consideration of the impact of this omission on the financial statements and modify the opinion and/or write a finding, as appropriate?
- (4) The following should be included in the workpapers regarding the auditor's testing of budgets: (For state agency budget requirements see 6-3-1 to 6-3-25 NMSA 1978. For local government budget requirements see 6-6-1 through 6-6-19 NMSA 1978. For school district budget requirements see 22-8-6 and 22-8-6.1 NMSA 1978)
 - a. Do the workpapers indicate the auditor obtained an understanding of the audited entity's budget process? Examples would include some of the following: (NOTE not all items will be present)
 - i. A budget memo documenting the budget process for the specific entity;
 - ii. Copies of statutes related to specific funds;
 - iii. A budget audit program that indicates a copy of the approved budget provided by the client is reviewed;
 - iv. A flowchart describing the budget process, source of funding, etc.
 - b. Do the workpapers contain a copy of the complete approved budget for the agency? (NOTE this should be more than the summarized recap page. There will be additional documentation/detail.) Budget approval authority is below:
 - i. State Agencies – DFA State Budget Division;
 - ii. Local Public Bodies – DFA Local Government Division;
 - iii. School Districts – Public Education Division;
 - iv. Institutes of Higher Education – Higher Education Department;
 - v. Any other entities – the legal authority over the budget.
 - c. Do the workpapers indicate the auditor reviewed the budget for the accuracy of beginning cash balances?
 - i. If beginning cash presented on the approved budget is not accurate, is there a finding?
 - d. Do the workpapers indicate the auditor tied the accounting systems budget amounts to the approved budget? (local public bodies and school districts with their own accounting systems have a potential for error because they are separate from the oversight agencies)
 - e. Do all budget adjustments to revenues, expenditures, and cash transfers between funds have the appropriate oversight entity approval as listed below?
 - i. State Agencies – DFA State Budget Division;
 - ii. Local Public Bodies – DFA Local Government Division;
 - iii. School Districts – Public Education Division;
 - iv. Institutes of Higher Education – Higher Education Department;
 - v. Any other entities – the legal authority over the budget.
 - f. Do the workpapers indicate the auditor reviewed expenditures to determine if any expenditures exceeded the approved expenditure budget?
 - g. If expenditures exceeded the approved expenditure budget, is there a finding?

[illegible]

Not a key area.

- [illegible]

AUDIT EVIDENCE – SERVICE REVENUE AND RECEIVABLES – PROPRIETARY FUNDS

Not a key area.

- (1) Do the workpapers tie to the trial balance?
- (2) Does the audit documentation show that the auditor performed one or more of the following audit procedures for each type of service revenue (water services, gas services, and electricity services)? (Assertions E/O, C, A/CL, CO)
 - i. Compare the revenue recorded for the current year to revenue reported in the prior period (or other revenue exception) for each type of revenue service, and investigate unexpected variances.
 - ii. Compare the revenue recorded for the current year to the budgeted revenue for the current year, for each type of service revenue, and investigate unexpected variances.
 - iii. Calculate ratios or amounts and compare to prior periods and budgeted amounts in light of current conditions, and investigate any unexpected variances. (For example, (a) gallons of water pumped or purchased during the year times average rate per gallon; or quantity of service available to quantity of service billed; or other ratios unique to the agency)
 - iv. Agree or reconcile the total(s) to the general ledger.
- (3) Do the work papers show that the auditor (a) obtained an understanding of the client's billings and collection procedures, practices, and experience, and management's revenue recognition policies and (b) determined whether the revenue recognition policies were in accordance with GAAP? (Assertions A/CL, CO)
- (4) Do the work papers show that the auditor scanned the billings register and investigated unusual transactions shortly before and after the year end, and investigated unusual transactions by reviewing supporting documentation if appropriate, and proposing adjusting or reclassification entries if necessary? (Assertions E/O, CO)
- (5) For accounts receivable account balances related to service revenues, do the work papers show that the auditor performed at least one of the following audit procedures: (Assertions E/O, C, A/CL)
 - i. Compared the balance in receivables with the balance for prior years (or other expectations) and investigated unexpected variances;
 - ii. Compared the ratio of receivable balance to the related revenue for the current and prior years, or other expectations, and investigated unexpected variances;
 - iii. Computed relevant receivable ratios and compared them to the same ratios for the prior year, or other expectations, and investigated unexpected variances.
- (6) Does the audit documentation show that the auditor reviewed the agency's reconciliations of the agency receivables detail control account to the general ledger, if applicable? (Assertions E/O, C, A/CL)
- (7) Does the audit documentation show that the auditor scanned the accounts receivable detail list for related-party and material employee receivables (for businesses owned by legislative or administrative officials) and that the auditor followed up on any special treatment of such accounts. (Assertions E/O, A/CL)
- (8) Regarding confirmation of accounts receivable, do the work papers show that: (a) the auditor considered whether to confirm billed receivables and if confirmations were not used; (b) the auditor documented the reasons why confirmations were unnecessary? Examples of possible alternative procedures include that the auditor assessed level of risk of material misstatement at the relevant assertions level as low and other planned substantive procedures address the assessed risk. (See also AU-C 505.03 for additional reasons the auditor may not want to use confirmations.) (Assertions E/O, C, R/O)
- (9) If accounts receivable were confirmed, did the auditor do the following? (Assertions E/O, R/O)
 - i. Review the accounts selected for confirmation with a responsible agency official?
 - ii. Document the accounts selected for confirmation?

[illegible]

- (10) Based on the auditor's risk assessment summary in the area of inventory at the assertion level, do the substantive tests of inventory appear to be adequate at the relevant assertion level for the risk assessment that the auditor gave each assertion? (The assertions are Existence/Occurrence (E/O), Completeness (C), Rights or Obligations (R/O), Valuation or Allocation (V), Accuracy or Classification (A/CL), and Cutoff (CO).) Note that if the IPA uses PPC, this risk assessment for governmental fund revenues and receivables, at the assertion level, will appear on form *ALG-CX-7.1, Risk Assessment Summary Form*.

AUDIT EVIDENCE – CAPITAL ASSETS AND EXPENDITURES

Not a key area.

- (1) Do the workpapers tie to the trial balance?
- (2) Does the audit documentation show that the auditor: (a) inquired regarding the agency's capitalization policy and inventory policy; (b) determined whether the policies were in accordance with Section 12-6-10, NMSA 1978; and (c) determined whether the agency complied with policies regarding capitalization threshold and annual inventory? (Assertions E/O, C, A/CL)
 - i. The statute requires agencies to capitalize assets that cost more than \$5,000.
 - ii. The statute requires the agency to perform an annual inventory of its capital assets. For State Agencies, does the audit evidence indicate that the annual capital assets inventory included both the agency-owned vehicles and long-term leased vehicles? (Section 15-8-1 to 15-8-11 NMSA 1978)
- (3) Does the audit documentation show that the auditor obtained an understanding of the agency's capital assets while performing procedures like: (a) inquiries of management, (b) review of the minutes, (c) review of new leases or other contracts, (d) physical observation, and (e) tests in other audit areas? (Assertions C, R/O)
 - i. Do the work papers show that the auditor followed up to ensure that the accounting records included all significant additions (whether purchased, constructed, or acquired by capital lease) and all significant deletions for property disposed of or abandoned? (An example of a procedure of this type would be reviewing the agency's reconciliation of its capital outlay expenditures to its capital asset additions.) (Assertions E/O, C, A/CL, CO)
 - ii. Do the work papers show that the auditor considered whether the agency had satisfactory title to the capital assets, liens against the assets, or any assets had been pledged? (See the management representation letter for management's assertions in this area.) (Assertion R/O, V)
- (4) If the agency had significant infrastructure, did the auditor document consideration of whether the infrastructure (roads, bridges, tunnels, drainage systems, water and sewer systems, dams and lighting systems) were owned by the agency and were valued reasonably in accordance with GASB 34 ¶ 154-166?
- (5) Does the audit documentation show that the auditor obtained or prepared a schedule with opening and ending balances in each capital asset account, (including infrastructure if applicable) and related accumulated depreciation and amortization accounts and the additions and deletions, current year depreciation/amortization, transfers and other adjustments and performed some of the following applicable procedures? (Assertions E/O, C, R/O, V, A/CL, CO)
 - i. Compared the activity and account balances in the capital assets and accumulated depreciation accounts with the prior year balances (or other expectations) and the budget, and followed up on unexpected variances? (AU-C 520).
 - ii. Reviewed the property disposition documentation for compliance with the requirements of Sections 13-6-1 and 13-6-2 NMSA 1978.
 - iii. Considered whether all assets required to be depreciated were being depreciated.
 - iv. Inquired whether the governmental entity has entered into any service concession arrangements with another government or a nongovernmental entity.
 - v. Tested capital expenditures and significant lease payments to capital additions, and asset deletions to significant sales of capital assets.
 - vi. Evaluated whether transfers of capital assets have been properly reported.

- ii. Compare balances in the liability accounts to debt amortization schedules and to the terms of new debt agreements (if applicable) and investigate unexpected variances?
- (3) Do the work papers show that the auditor reviewed the State Constitution, applicable statutes, and ordinances that authorize the agency to borrow, and performed some of the audit procedures below? (Assertion E/O, C, R/O, A/CL)
- i. If new debt was issued, review minutes for authorization of the debt, or records of voter referendums approving the issuance of debt (if applicable). (Assertion E/O, C, R/O).
- ii. Confirm legal compliance of debt sales with bond counsel or state authority, document the items selected for confirmation, and retain the returned confirmations. (AU-C 505.07) (Assertions E/O, R/O)
- iii. Traced proceeds of new debt to the bank deposit, and considered the appropriateness of the fund classification. (Assertion A/CL)
- iv. Did the auditor select a sample of debt issuances and determine whether: (1) they complied with the compliance requirements that could have a direct and material effect on the financial statements; and (2) taxes levied or other revenues dedicated to service the debt were adequate?
- v. Do the work papers show that the auditor reviewed loan and debt agreements to determine whether assets were pledged and whether there were any restrictive covenants? Do the financial statements disclose all pledged assets and restrictions that the auditor discovered?
- vi. Determine by inquiry and review of minutes or agreements whether the entity has entered into securities lending transactions. If there have been such transactions, determine that the accounting and disclosure requirements of GAAP have been met.
- vii. Did the auditor perform a search of the minutes or agreements to determine whether any new debt issued was an advance refunding transaction that resulted in defeasance of debt? If there was such a transaction did the auditor determine that the accounting and disclosure requirements GASBS 7 for governmental funds and GASBS 23 for proprietary funds were met?
- (4) Did the auditor review the client-prepared documentation supporting compliance with debt covenants, restriction, etc., and perform some of the following procedures:
- i. Confirm restrictions, terms, and proceeds with the lender or underwriter. (Assertion R/O, V)
- ii. Confirm compliance with appropriate covenants with the trustee. (Assertion R/O, V)
- iii. Reperform the client's tests of its compliance with restrictive covenants
- iv. Inquire about and test compliance with applicable SEC disclosure rules for reporting annual financial information and material events.
- (5) Confirmation form – For debt that was not confirmed on the standard financial institution confirmation, did the auditor have the client prepare separate confirmation letters? Did the auditor document the items selected for confirmation? (E/O, R/O, A/CL)
- (6) Do the work papers show that the auditor reviewed the agency's debt service payments and performed applicable procedures shown below? (Assertions C, R/O, V, A/CL, CO)
- i. Analytically test the reasonableness of interest expenditure/expense and interest payable by an overall calculation, based on the average principal amounts outstanding during the period and contractual or average interest rates. Obtain an explanation for unusual variations and examine support for explanations as necessary. (AU-C 520)
- ii. Considered compliance with sinking fund requirements? (Assertion R/O)
- iii. Considered the need to impute interest on noninterest bearing notes? (Assertion V)
- (7) Regarding leases, do the work papers show that the auditor examined significant lease agreements entered into during the year, and determine whether any leases should be capitalized. Identify disclosure points for both capital and operating leases.

- (4) Did the auditor modify the opinion in the auditor's report if (a) the entity's legal counsel refused to respond appropriately to the letter of inquiry and the auditor is unable to obtain sufficient appropriate audit evidence by performing alternative audit procedures; or (b) management refuses to give the auditor permission to communicate or meet with the entity's external legal counsel? (AU-C 501.24)

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(O) Opening Balances on the Financial Statements:

- (1) Did the auditor document review of the most recent financial statements, and the predecessor auditor's report if applicable, for information relevant to opening balances including disclosures, and consistency in the application of accounting policies? (AU-C 510.06)
- (2) Did the auditor document that they obtained sufficient appropriate audit evidence about whether the opening balances contain misstatements that materially affect the current period's financial statements? (AU-C 510.08)
- (3) Did auditor document that they obtained sufficient appropriate audit evidence about whether the accounting policies reflected in the opening balances have been consistently applied in the current period's financial statements and whether changes in the accounting policies have been appropriately accounted for and adequately presented and disclosed in accordance with the applicable financial reporting framework? (AU-C 510.10)

Y	N	N A	W P

(P) Analytical Procedures:

- (1) If analytical procedures were used either alone or in combination with test of details as substantive procedures did the auditor design and perform following procedures? (AU-C 520.05)
- Did the auditor determine the suitability of particular substantive analytical procedures for given assertions?
 - Did the auditor evaluate the reliability of data from which the auditor's expectation of recorded amounts of ratios is developed, taking into account the source, comparability, and nature of the relevance of information available and controls over preparation?
 - Did the auditor develop an expectation of recorded amounts or ratios and evaluate whether the expectation is sufficiently precise and to identify a misstatement either individually or in aggregate?
 - Did the auditor determine the amount of any difference of recorded amounts from expected values that is acceptable without further investigation?
 - Did the auditor investigate differences when the auditor identifies fluctuations or relationships that are inconsistent with other relevant information?
 - Perform additional audit procedures on items discovered in item v.
- (4) Did the auditor design and perform analytical procedures near the end of the audit that assist the auditor when forming an overall conclusion about whether the financial statements are consistent with the auditor's understanding of the entity? (AU-C 520.06)
- (5) If analytical procedures performed in accordance with this section identify fluctuations or relationships that are inconsistent with other relevant information or that differ from expected values by a significant amount, did the auditor investigate such differences by (a) inquiring of management and obtaining appropriate audit evidence relevant to management's responses and (b) performing other audit procedures as necessary in the circumstances? (AU-C 520.07)

Y	N	N A	W P

(Q) Audit Sampling:

- (1) When designing the audit sample, during the course of the audit did the auditor consider the purpose of the audit procedure and the characteristics of the population from which the sample will be drawn along with the risk of misstatement? (AU-C 530.06)
- (2) In determining the sample sizes, during the course of the audit, did the auditor determine a sample size sufficient to reduce sampling risk to an acceptably low level? (AU-C 530.07)

Y	N	N A	W P

- (3) Did the auditor identify the population to be tested and was the sample selected in such a way that it could be expected to be representative of the population and does it provide the auditor with a reasonable basis for conclusion about the population? (AU-C 530.08)
- (4) In planning did the auditor plan audit procedures appropriate to the purpose of the samples selected? (AU-C 530.09)
- (5) If the audit procedure is not applicable to the selected item, did the auditor perform the procedure on a replacement item? (AU-530.10)
- (6) If there were any deviations or misstatements identified in the sample, did the auditor investigate the nature and cause and evaluate their possible effect? (AU-C 530.12)
- (7) Did the auditor project the results of the audit sampling to the population? (AU-C 530.13)
- (8) If documents selected for testing could not be located by the entity, and if considering those unexamined items to be misstated led to a conclusion that the balance or class contained material misstatement, did the auditor: (1) consider alternative procedures; and (2) whether the reasons for his or her inability to examine the items could be fraud-related. (AU-C 530.11) The missing documentation should result in an exception in the following areas:
 - i. treated as a deviation from controls (tests of controls); and
 - ii. treated as a misstatement (tests of details).
- (9) In evaluating whether the financial statements may be materially misstated, was appropriate consideration given, in the aggregate, to projected misstatement resulting from all audit sampling applications and to known misstatements from non-sampling applications? (AU-C 530.14)

(R) Accounting Estimates:

- (1) Do the working papers include documentation of the auditor's understanding of accounting estimates made by management in order to provide a basis for the identification and assessment of risk of material misstatement for accounting estimates? Also, see AU-C 540.08 for procedures related to assessment of accounting estimates.
- (2) Did the auditor evaluate the degree of estimation uncertainty associated with an accounting estimate when identifying and assessing the risks of material misstatement? (AU-C 540.10)
- (3) Does the audit documentation show that the auditor determined whether management has appropriately applied the requirements of the applicable financial reporting framework relevant to the accounting estimate and whether the methods for making the accounting estimates are appropriate and have been applied consistently and whether changes from the prior period, if any, in accounting estimates or the method for making them are appropriate in the circumstances? (AU-C 540.12)
- (4) Do the working papers include documentation regarding inquiries into material accounting estimates other than depreciation? If such estimates exist, is there documentation of the testing of those estimates?
- (5) Do the working papers include documentation of the auditor's understanding and testing of contingent liabilities?

Y	N	N	W
		A	P

(S) Related Party Transactions:

- (1) Did the auditor perform audit procedures and related activities to obtain information relevant to identifying the risks of material misstatement associated with related party relationships and transactions? (AU-C550.12)
- (2) Does the audit documentation show that the auditor inquired of management regarding the following: disclosure of the entity's related parties, the nature of the relationships between the entity and those related parties, and whether the entity entered into any transactions with those related parties during the period? (AU-C 550.14)

Y	N	N	W
		A	P

- (3) Does the audit documentation show that the auditor inquired with management and others within the entity and performed other risk assessment procedures to obtain an understanding of the controls management has established to: identify, account for, and disclose related party relationships, authorize and approve significant transactions with related parties, and authorize and approve significant transactions and arrangements outside the normal course of business? (AU-C 550.15)
- (4) Did the auditor evaluate whether the related party disclosure was adequate? (AU-C 550.26). If the auditor determined that the disclosure was not adequate, did the auditor give a modified opinion because of the departure from GAAP, depending on materiality? (AU-C 550.A18)
- i. Did the auditor perform tests of related party transactions to ascertain that the controls were operating as disclosed?

(T) Subsequent Events:

- (1) Did the auditor perform audit procedures or inquires designed to obtain sufficient appropriate audit evidence that all subsequent events that require adjustment of, or disclosure in, the financial statements have been identified? (AU-C 560.09)
- (2) Did the auditor perform audit procedures that covered the period from the date of the financial statements to the date of the auditor's report or as near as practicable thereto? (AU-C 560.10)
- (3) If events or transactions occurred subsequent to the balance-sheet date, that had a material effect on the financial statements, were financial statements adjusted or was disclosure made in accordance with the requirements of (AU-C 560.11)?

Y	N	N	W
		A	P

(U) The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern:

- (1) Did the auditor evaluate whether there is substantial doubt about the entity's ability to continue as going concern for a reasonable period of time? The auditor's evaluation can be obtained from the application of audit procedures planned and performed to achieve the audit objectives that are related to the financial statements being audited. (AU-C 570.08 & .09)

Y	N	N	W
		A	P

(V) Written Representations:

- (1) Did the auditor obtain written Representation Letter from management as of the date of the auditor's report on the financial statements? (AU-C 580.20)
- (2) Does the written Representation Letter from management cover all financial statements and period(s) referred to in the auditor's report? (AU-C 580.20)
- (3) Does the Representation Letter contain the following applicable language? Note: This does not have to be word for word, however the overall concepts should be addressed. If the reviewer has questions they should consult the lead reviewer. (AU-C 580.A35)
- i. That management has fulfilled their responsibilities, as set out in the terms of the audit engagement letter, for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP.
- ii. Management acknowledges that the financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- iii. Management is responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Y	N	N	W
		A	P

iv.	Management is responsible for the design, implementation, and maintenance of internal control to prevent and detect fraud.				
v.	Management is responsible for ensuring that significant assumptions used by them in making accounting estimates, including fair value measurements, are reasonable.				
vi.	Related party relationships and transactions have been appropriately accounted for and disclosed by management in accordance with the requirements of U.S. GAAP.				
vii.	All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed by management.				
viii.	The effects of uncorrected misstatements are immaterial, both individually and in the aggregate, to the financial statements as a whole. A list of the uncorrected misstatements that have been disclosed by management should be attached to the representation letter.				
ix.	The effects of all known actual or possible litigation and claims have been accounted for and disclosed by management in accordance with U.S. GAAP.				
x.	Management should also indicate that they have provided the auditor with access to all information, of which they are aware, that is relevant to the preparation and fair presentation of the financial statements such as records, documentation and other matters.				
xi.	Management should indicate that all transactions have been recorded in the accounting records and are reflected in the financial statements.				
xii.	That management has disclosed to the auditors the results of their assessment of the risk that the financial statements may be materially misstated as a result of fraud.				
xiii.	That management has [no knowledge of any] or [disclosed to the auditor all information that they are aware of regarding] allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.				
xiv.	That management has disclosed to the auditor all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.				
xv.	Is the letter signed by those members of management with appropriate responsibility for financial and operating matters whom the auditor believes are responsible for and knowledgeable about, directly or through others in the organization, the matters covered in the representations? (AU-C 580.09) (Usually the Chief Executive and the Chief Financial Officer.)				
xvi.	If management refused to furnish one or more written representations, did the auditors qualify the opinion, disclaim an opinion, or withdraw from the engagement as appropriate? (AU-C 580.26)				
(4)	<u>Note</u> : if there was a single audit conducted the following is required to be included in the 'Written Representations' related to the Single Audit. See below for those requirements.				
i.	Management is responsible for understanding and complying with and has complied with the requirements of <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards.				
ii.	Management is responsible for presenting the schedule of expenditures of federal awards (SEFA) in accordance with the requirements of Uniform Guidance.				

iii.	That management has identified and disclosed to the auditors all of the government programs and related activities subject to Uniform Guidance and included in the SEFA for the audit period for all awards provided by federal agencies in the form of grants, federal cost-reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.				
iv.	Management is responsible for establishing and maintaining, and has established and maintained, effective internal controls over the compliance requirements applicable to federal programs that provide reasonable assurance that they are managing federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on federal programs. Management believes the internal control system is adequate and is functioning as intended.				
v.	That management has made available all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to federal programs and related activities.				
vi.	That management has received no requests from a federal agency to audit one or more specific programs as a major program.				
vii.	That management has complied with the direct and material compliance requirements (except for noncompliance disclosed to the auditor), including when applicable, those set forth in the <i>Uniform Guidance Compliance Supplement</i> , relating to federal awards and has identified and disclosed to the auditor all amounts questioned and all known noncompliance with the requirements of federal awards.				
viii.	That management has disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditor's report.				
ix.	That management has disclosed to the auditor the findings received and related corrective actions taken for previous audits, attestation engagements, and internal or external monitoring that directly relate to the objectives of the compliance audit, including findings received and corrective actions taken from the end of the period covered by the compliance audit to the date of the auditor's report.				
x.	That management has disclosed to the auditor their interpretation of compliance requirements that may have varying interpretations.				
xi.	That management has disclosed to the auditor the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.				
xii.	That management has made available to the auditor all documentation related to compliance with the direct material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.				
xiii.	That management has disclosed whether any changes have been made in internal control over compliance or other factors that might significantly affect internal control, including any corrective action taken regarding significant deficiencies in internal control over compliance (including material weaknesses in internal control over compliance), that have occurred subsequent to the date as of which compliance was audited.				
xiv.	Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.				
xv.	The copies of federal program financial reports provided to the auditors are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.				

xvi.	If applicable, management has monitored subrecipients to determine that they have expended pass-through assistance in accordance with applicable laws and regulations and have met the requirements of Uniform Guidance.				
xvii.	If applicable, management has taken appropriate action, including issuing management decisions, on a timely basis after receipt of subrecipients' auditor's reports that identified noncompliance with laws, regulations, or the provisions of contracts or grant agreements and have ensured that subrecipients have taken appropriate and timely corrective action on findings.				
xviii.	If applicable, management has considered the results of subrecipient audits and has made any necessary adjustments to the agency's books and records.				
xix.	Management has charged costs to federal awards in accordance with applicable cost principles.				
xx.	Management has accurately prepared the summary schedule of prior audit findings to include all findings required to be included by Uniform Guidance and they have provided the auditor with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.				
xxi.	Management is responsible for and has accurately prepared the auditee section of the Data Collection Form as required by Uniform Guidance.				
xxii.	If applicable, management is responsible for preparing and implementing a corrective action plan for each audit finding.				
xxiii.	If applicable, management has disclosed to the auditor all contracts or other agreements with service organizations, and has disclosed to the auditor all communications from service organizations relating to noncompliance at the service organizations.				
		Y	N	N A	W P
(W)	Consideration of Omitted Procedures After the Report Release Date:				
(1)	If subsequent to the report release date, the auditor becomes aware of an omitted procedure, did the auditor assess the effect of the omitted procedure on the auditor's present ability to support the previously expressed opinion on the financial statements and consider the guidance of professional standards in determining the appropriate action to be taken? (AU-C 585.06)				

V. USING THE WORK OF OTHERS

(X) Audits of Group Financial Statements (Including the Work of Component Auditors)

This section addresses special considerations that apply to group audits, in particular those that involve work of component auditors that will be used as audit evidence for the group audit. A component auditor is an auditor who performs work on the financial information of a component. A component is an entity or business activity required to be included in the group financial statements. Do not confuse a "component" with a "component unit" as defined by GASB 14 (as amended).

- (1) Did the group engagement team include the following in the audit documentation (AU-C 600.50):
- i. An analysis of components indicating those that are significant and the type of work performed on the financial information of the components;
 - ii. Those components for which reference to the reports of component auditors is made in the auditor's report on the group financial statements;
 - iii. Written communications between the group engagement team and the component auditors about the group engagement team's requirements;
 - iv. For those components for which reference is made in the auditor's report on the group financial statements to the audit of a component auditor, the financial statements of the component and the report of the component auditor thereon.

Y	N	N A	W P

This AU-C section provides the auditor with guidance on considering the work of internal auditors and on using internal auditors to provide direct assistance to the auditor in an audit performed in accordance with generally accepted auditing standards (GAAS).

(Z) Using the Work of an Auditor's Specialist (AU-C 620)

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section does not apply when the auditee uses the work of a specialist to assist management in preparing the financial statements.

	Y	N	N A	W P
(1) If the auditor decided to use the work of an auditor's specialist (individual or organization with expertise in a field other than accounting or auditing), did the auditor evaluate whether the specialist had the necessary competence, capabilities and objectivity for the auditor's purposes? (AU-C 620.09 and GAGAS 3.79 CPE Requirements for Specialists)				
(2) Did the auditor obtain a sufficient understanding of the field of expertise of the auditor's specialist to enable the auditor to:				
i. determine the nature, scope and objectives of the work of the specialist for the auditor's purposes; and				
ii. evaluate the adequacy of that work for the auditor's purposes? (AU-C620.10)				
(3) Did the auditor have an agreement (not required to be written) with the auditor's specialist regarding:				
i. the nature, scope, and objectives of the work of the auditor's specialist;				
ii. the respective roles and responsibilities of the auditor and the auditor's specialist;				
iii. the nature, timing, and extent of communication between the auditor and the auditor's specialist, including the form of any report to be provided by the auditor's specialist;				
iv. the need for the specialist to be independent of the audited agency; and				
v. the need for the auditor's specialist to observe confidentiality requirements? (AU-C 620.11)				
(4) Did the auditor evaluate the adequacy of the work of the auditor's specialist for the auditor's purposes, including:				
i. the relevance and reasonableness of the findings and conclusions of the auditor's specialist and their consistency with other audit evidence;				
ii. obtaining an understanding of significant assumptions and methods used in the work of the auditor's specialist, and the relevance and reasonableness of those assumptions and methods in the circumstances; and				
iii. the relevance, completeness, and accuracy of source data that was significant to the work of the auditor's specialist? (AU-C 620.12)				
(5) If the auditor determined that the work of the auditor's specialist was not adequate for the auditor's purposes, did the auditor:				
i. agree with the auditor's specialist on the nature and extent of further work to be performed by the auditor's specialist; or				
ii. perform additional audit procedures appropriate in the circumstances? (AU-C 620.13)				
(6) Regarding reference to the auditor's specialist in the auditor's report:				
i. did the auditor omit reference to the auditor's specialist in an unmodified opinion auditor's report; and				
ii. If the auditor made reference to the auditor's specialist in a modified opinion, did the auditor indicate that such reference did not reduce the auditor's responsibility for that opinion? (AU-C 620.14-620.15)				

VI. AUDIT CONCLUSIONS AND REPORTING

(AA) Consistency of Financial Statements

	Y	N	N A	W P
(1) Did the auditor evaluate whether the comparability of the financial statements between periods has been materially affected by a change in accounting principle or by adjustments to correct a material misstatement in previously issued financial statements? (AU-C 708.05)				
(2) If there was a change in accounting principles did the auditor determine whether: (a) the newly adopted accounting principle is in accordance with the applicable financial reporting framework, (b) the method of accounting for the effect of the change is in accordance with the applicable financial reporting				

- framework, (c) the disclosures related to the accounting change are appropriate and adequate, and (d) the entity has justified that the alternative accounting principle is preferable? (AU-C 708.07)
- (3) If applicable, if the change in accounting principle has a material effect on the financial statements did the auditor include an emphasis-of-matter paragraph in the auditor's report that describes the change in accounting principle and provides a reference to the entity's disclosure? (AU-C 708.08)

(BB) Other Information in Documents Containing Audited Financial Statements

- (1) If there is other information in documents of which the auditor is aware of did the auditor read the other information in order to identify material inconsistencies, if any, with the audited financial statements? (AU-C 720.06)
- (2) If applicable, did the auditor make appropriate arrangements with management or those charged with governance to obtain the other information prior to the report release date. If it was not possible to obtain all of the other information prior to the report release date, did the auditor read such other information as soon as practicable? (AU-C 720.07)
- (3) If applicable, did the auditor communicate with those charged with governance the auditor's responsibility with respect to the other information, any procedures performed relating to the other information, and the results? (AU-C 720.08)

Y	N	N A	W P

(CC) Supplementary Information in Documents Containing Audited Financial Statements

- (1) In order to opine on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole, did the auditor determine that all of the following conditions are met: (a) the supplementary information was derived from, and relates directly to, the underlying accounting and other records used to prepare the financial statements; (b) the supplementary information relates to the same period as the financial statements; (c) the auditor issued an audit report on the financial statements that contained neither an adverse opinion nor a disclaimer of opinion; and, (d) the supplementary information will accompany the entity's audited financial statements, or such audited financial statements will be made readily available by the entity? (AU-C 725.05)
- (2) Did the auditor obtain the agreement of management that it acknowledges and understands its responsibility for the preparation of the supplementary information in accordance with applicable criteria? (AU-C 725.06)
- (3) In addition, to the procedures performed during the audit of the financial statements, in order to opine on whether supplementary information is fairly stated, in all material respects, in relation to the financial statements as a whole, did the auditor perform the following procedures using the same materiality level used in the audit of the financial statements: (AU-C 725.07)
- Inquire of management about the purpose of the supplementary information and the criteria used by management to prepare the supplementary information, such as an applicable financial reporting framework, criteria established by a regulator, a contractual agreement, or other requirements.
 - Determine whether the form and content of the supplementary information complies with the applicable criteria.
 - Obtain an understanding about the methods of preparing the supplementary information and determine whether the methods of preparing the supplementary information have changed from those used in the prior period and, if the methods have changed, the reasons for such changes.
 - Compare and reconcile the supplementary information to the underlying accounting and other records used in preparing the financial statements or to the financial statements themselves.

Y	N	N A	W P

- v. Inquire of management about any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.
- vi. Evaluate the appropriateness and completeness of the supplementary information, considering the results of the procedures performed and other knowledge obtained during the audit of the financial statements.
- vii. Obtain written representations from management that it acknowledges its responsibility for the presentation of the supplementary information in accordance with the applicable criteria.

(DD) Required Supplementary Information

(1) Did the auditor apply the following procedures to the required supplementary information? (AU-C 730.05):

- i. Inquire of management about the methods of preparing the information, including (i) whether it has been measured and presented in accordance with prescribed guidelines, (ii) whether methods of measurement or presentation have been changed from those used in the prior period and the reasons for any such changes, and (iii) whether there were any significant assumptions or interpretations underlying the measurement or presentation of the information.
- ii. Compare the information for consistency with (i) management's responses to the foregoing inquiries, (ii) the basic financial statements, and (iii) other knowledge obtained during the audit of the basic financial statements.
- iii. Obtain written representations from management (i) that management acknowledges its responsibility for the required supplementary information; (ii) about whether the required supplementary information is measured and presented in accordance with prescribed guidelines; (iii) about whether the methods of measurement or presentation have changed from those used in the prior period and, if so, the reasons for such changes; and (iv) about any significant assumptions or interpretations underlying the measurement or presentation of the required supplementary information.

Y	N	N A	W P

(EE) Other Audit Conclusions and Reporting

The Yellow Book Report - (Required on all New Mexico Audits of Government Agencies) - *Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards* -

Regarding Findings reported in the Yellow Book Report

- (1) Were all findings identified in the working papers included in the audit report as required by Section 2.2.2.10(R)(2)NMAC?
- (2) If a finding is related to both internal control over financial reporting and to compliance, did the auditor report the finding in both sections of the report? (AAG- GAS 4.58) *The answer to this question should be "yes" or "N/A" since this presentation is allowed and not required.*
- (3) If the work papers documented instances of fraud and noncompliance with laws and regulations (illegal acts), did the auditor include those in the report in the "compliance and other matters" section? (AAG- GAS 4.30, Table 4-1 for material items noted, Section 2.2.2.10 (I)(1))

Y	N	N A	W P

VII. OTHER-THAN-GAAP FRAMEWORK

(FF) Special Consideration - Audits of Single Financial Statements and Special Elements, Accounts, or Items of a Financial Statement

- | | Y | N | N
A | W
P |
|--|---|---|--------|--------|
| (1) If the auditor audited a single financial statement or specific element of the financial statement did the auditor obtain an understanding of (a) the purpose of the single financial statement or specific element of a financial statement; (b) the intended users; and (c) the steps taken by management to determine that the application of the financial reporting framework is acceptable in the circumstances? (AU-C 805.10) | | | | |
| (2) Did the auditor consider whether the application of the financial reporting framework will result in a presentation that provides adequate disclosures to enable the intended users to understand the information conveyed in the financial statement or the specific element and the effect of material transaction and events on the information conveyed in the financial statement or the specific element? (AU-C 805.11) | | | | |
| (3) If the auditor audited a single financial statement or specific element of the financial statement did the auditor adapt all AU-C sections relevant to the audit as necessary in the circumstance of the engagement? (AU-C 805.12) | | | | |
| (4) When forming an opinion and reporting on a single financial statement or a specific element of a financial statement, did the auditor apply the requirements in section 700, Forming an Opinion and Reporting on Financial Statements , adapted as necessary in the circumstances of the engagement? (AU-C 805.15) | | | | |

VIII. RESTRICTING THE USE OF AN AUDITOR'S REPORT

(GG) Restricting the Use of an Auditor's Report

- | | Y | N | N
A | W
P |
|---|---|---|--------|--------|
| (1) If there is a restriction on the use of the auditor's report did the auditor include an alert, in a separate paragraph, that restricts its use when the subject matter of the auditor's written communications is based on (a) measurement or disclosure criteria that are determined by the auditor to be suitable only for a limited number of users who can be presumed to have an adequate understanding of the criteria; (b) measurement or disclosure criteria that are available only to the specified parties; or (c) matters identified by the auditor during the course of the audit engagement when the identification of such matters is not the primary objective of the audit engagement? (AU-905.06) | | | | |

IX. OVERALL CONCLUSIONS

- | | | | | |
|--|--|--|--|--|
| (1) Is the audit documentation a sufficient and appropriate record of the basis for the auditor's opinion? (AU-C 230.05(a)) | | | | |
| i. Does the audit documentation demonstrate that the audit was planned and performed in accordance with GAAS, GAGAS, 2.2.2 NMAC (Audit Rule), and applicable legal and regulatory requirements? (AU-C 230.05(b)) | | | | |
| (2) Did the auditor prepare documentation sufficient to enable an experienced auditor, having no previous connection with the audit, to understand the significant professional judgments made in reaching conclusions on significant findings or issues arising during the audit? (AU-C 230.08) | | | | |
| (3) Did the auditor obtain sufficient appropriate audit evidence to reduce audit risk to an acceptably low level and thereby enable the auditor to draw reasonable conclusions on which to base the auditor's opinion? (AU-C 200.19) | | | | |
| (4) Did the auditor achieve the overall objective of each applicable AU-C section relevant to the audit? (AU-C 200.23 and .24) | | | | |

- (5) Did the auditor comply with generally accepted auditing standards (GAAS) by performing all applicable “must” requirements and documenting any rare instance when he or she did not follow a “should” requirement because it would have been ineffective in achieving the intent of the requirement? (AU-C 200.25 and .26)
- (6) Add additional comments here. These could be overall impressions, difficulty with IPA personnel, difficulty with workpaper organization, etc... OSA reserves the right to look at anything related to this engagement, including subjects and documents not specifically addressed in this guide.

X. SINGLE AUDIT

GENERAL PRINCIPLES AND RESPONSIBILITIES AND RISK ASSESSEMENT

A. Engagement Letter for the Single Audit

- | | Y | N | N/A | W/P |
|---|---|---|-----|-----|
| (1) Does the engagement letter include the schedule of expenditures of federal awards as supplementary information that will be subjected to auditing procedures? (Section 2.2.2.10 (A)(2)(c) and AU-C 725 and AAG-GAS 3.07). | | | | |
| (2) Does the "Audit Objectives" section of the engagement letter include wording similar to the following: "The objective also includes reporting on internal control related to major programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with Uniform Guidance?" (AAG-GAS 6.09). | | | | |
| (3) Does the "Audit Procedures - Internal Controls" section of the engagement letter include a paragraph that says something to the effect that "As required by Uniform Guidance we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to Uniform Guidance." (AAG-GAS 6.09). | | | | |
| (4) Does the "Audit Procedures-Compliance" section of the engagement letter include a paragraph to the effect that "Uniform Guidance requires that we also plan and perform the audit to obtain reasonable assurance about whether the auditee has complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of tests of transactions and other applicable procedures described in the <i>Uniform Guidance Compliance Supplement</i> for the types of compliance requirements that could have a direct and material effect on each of the agency's major programs. The purpose of these procedures will be to express an opinion on the agency's compliance with requirements applicable to each of its major programs in our report on compliance issued pursuant to Uniform Guidance." (AAG GAS 6.09). | | | | |
| (5) Does the "Audit Administration, Fees, and Other" section of the engagement letter clarify that the auditors will complete the appropriate sections of, and sign, the Data Collection Form that summarizes the auditor's audit findings? | | | | |
| (6) Does the "Audit Administration, Fees, and Other" section of the engagement letter clarify whose responsibility it is to submit the reporting package (including the financial statements, schedule of expenditures of federal awards, summary schedule of prior audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the designated federal clearinghouse? | | | | |

B. Defining the Entity to be Audited by the Single Audit

Have all known federal awards, including those of component units been included in the audit? If not, have required audits been performed that cover the excluded awards? (2 CFR 200.501 and AAG-GAS 6.15).

C. Planning

- | | | | | |
|---|--|--|--|--|
| (1) Does the audit documentation show that the auditor gathered the following types of information about the entity's federal programs while gaining an understanding of the entity and its environment and performed the risk assessment required by standards? | | | | |
| i. Did the auditor obtain from the client, predecessor auditor, or determine for him/herself the following information regarding the agency's federal programs: CFDA number; name of program; name of grant; grant I.D. No.; award amount; and the last year each program was audited? (PPC forms <u>GSA-CX-1.5, Single Audit and Major Program Determination Worksheet</u> , and <u>GSA CX-3.4, Audit Inquiries Summary Form</u> are examples of forms that can be used to document some of this information.) | | | | |
| ii. Did the auditor review the prior-period findings and questioned costs and corrective action plan? | | | | |
| iii. Did the auditor review correspondence the agency received from program officials looking for potential federal award problems, or requirements that a program be audited as major each year? (2 CFR 200.518). | | | | |

- iv. Did the auditor inquire about any changes to federal programs and any new federal programs?
- v. Whether the entity is a low risk entity – *A low risk entity is one that met all of the following requirements in each of the two previous years (2 CFR 200.520):*
- single audit or program-specific audits were performed on an annual basis in accordance with Uniform Guidance, including submitting the data collection form and the reporting package to the FAC timely (2 CFR 200.512);
 - the auditor's opinions on the financial statements and the schedule of expenditures of federal awards were unmodified;
 - the Yellow Book report did not identify any deficiencies in internal control that were identified as material weaknesses;
 - the auditor did not report a substantial doubt about the auditee's ability to continue as a going concern;
 - none of the federal awards had any of following audit findings in either of the preceding two years in Type A programs: (a) internal control deficiencies identified as material weaknesses; (b) a modified opinion on a major program in the auditor's report on major programs; or (c) known or likely questioned costs that exceeded 5% of the total federal awards expended

D. Major Program Determination Worksheet (Examples of PPC forms that can be used for major program determination are: GSA-CX-1.5, Single Audit and Major Program Determination Worksheet, GSA-CX-1.6, Low-risk Federal Program Determination Worksheet, and GSA-CX-1.7, High-risk Federal Program Determination Worksheet)

- (1) If the agency has a loan and/or loan guarantee program that exceeds four times the largest non-loan program, was the related program treated as a Type A program and then its value excluded in determining the other Type A programs? (2 CFR 200.518(b)(3) and AAG-GAS ¶ 8.06).
- (2) Did auditor identify/label as Type A programs the federal programs or cluster of programs with expenditures of federal awards during the audit period exceeding the larger of (2 CFR 200.518(b) and AAG-GAS 8.03):
 - i. \$750,000 or 3 percent (.03) of total federal awards expended when total federal awards expended were \$750,000 to \$100 million;
 - ii. \$3 million or three-tenths of one percent (.003) of total federal awards expended when total federal awards expended were from \$100 million through \$10 billion; or
 - iii. \$30 million or 15 hundredths of one percent (.0015) of total federal awards expended when total federal awards expended exceeded \$10 billion?
- (3) Federal awards expended for purposes of determining type A and type B programs are the amount of cash and noncash awards, after all adjustments are made, in the final current-year schedule of expenditures of federal awards (SEFA), including the notes. If the auditor used the prior-year SEFA or preliminary current-year estimates, did he/she recalculate the threshold for type A programs based on the final amounts in the SEFA? (AAG-GAS ¶ 8.03)
- (4) Did the auditor consider all the programs in a cluster as "one program" for purposes of determining major programs? (2 CFR 200.518(b)(3) and AAG-GAS 8.03). A cluster of programs means a grouping of closely related programs that share common compliance requirements. Types of clusters are described as research and development (R&D), student financial aid (SFA), and other clusters as defined by the OMB in the compliance supplement or as designated by a State for Federal awards the State provides to its sub-recipients that meet the definition of a cluster of programs (2 CFR 200.17).
- (5) Does the audit documentation show that the auditor determined programs to be low risk type A programs if they met both of the following conditions: (a) the program was audited as a major program in at least one of the two most recent audit periods; and (b) in the most recent audit period, the program did not have internal control deficiencies which were identified as material weaknesses or a modified opinion on the program; or (C) known or likely questioned costs that exceed 5% of the total federal awards expended for the program. (2 CFR 200.518(c), 2 CFR 200.519 and AAG-GAS 8.09-8.13).

- (4) Did the auditor document key elements in the internal controls over compliance? (AAG-SLA 9.60).
- (5) Does the audit documentation show that the auditor evaluated whether the key controls were properly designed? Did the auditor write findings for key internal controls that were not properly designed? For key controls that were not properly designed did the auditor assess control risk related to the requirement(s) at the maximum and consider whether additional compliance tests were required? (2 CFR 200.514(c), AAG-GAS 9.17).
- (6) Do the working papers document the procedures performed to test internal controls over compliance for all the key controls that the auditor determined were suitably designed for each major program? Are the results of the procedures also documented? (AU-C 330 and AAG-GAS 9.61).

Note: The auditor must plan tests of controls to support a low assessed level of control risk of noncompliance. However, such a level may not be achieved. (2 CFR 200.514(c)(2) and (c)(3), and AAG-GAS 9.16). The PPC form GSA-CX-9.1 *Tests of Controls-Sampling Form for Federal Award Programs* is an example of documentation of sampling for Single Audit tests of controls, and the related conclusions drawn from the tests. In addition, the PPC form GSA-CX-5.2, *Internal Control System Matrix – Federal Award Programs*, when completed for each applicable compliance requirement, is an example of documenting tests of controls at the compliance requirement level.)

- (7) Did the auditor document the assessment of risk of noncompliance at the major program level? (AAG-GAS 9.26 and AU-C 315.A13). See Part I of the PPC form *GSA-CX-7.3, Risk of Material Noncompliance Assessment Worksheet-Federal Award Programs* for an example of this type of documentation.
- i. If the auditor did not identify improper revenue recognition for federal awards as a risk of material misstatement due to fraud, are the reasons supporting the auditor's conclusion documented in the working papers? (AU-C 315).
 - ii. Does the audit documentation show that the auditor planned and performed audit procedures to address the risk of management override of controls for federal programs, by performing audit procedures like testing adjusting journal entries near the end of the fiscal period? (AU-C 315.A54).
- (8) Did the auditor document the assessment of risk of noncompliance at the compliance requirement level for each compliance requirement applicable to each major program taking into consideration control risk and inherent risk (AU-C 315)? (AAG-GAS 9.51 and AU-C 314.122(c)) See Part II of the PPC form *GSA-CX-7.3, Risk of Material Noncompliance Assessment Worksheet-Federal Award Programs* for an example of this type of documentation.
- (9) Did the auditor document his or her responses to the assessed risks of material noncompliance? (AAG-GAS 9.61). See Part II of the PPC form *GSA-CX-7.3, Risk of Material Noncompliance Assessment Worksheet, Federal Award Programs* for an example of this type of documentation.
- (10) Did the auditor document the indirect cost rate, whether negotiated or de minimis (10%)? Does this rate match the disclosure on the SEFA in the issued financial statements? (2 CFR 200.214(f)).

OSA REVIEWER'S CONCLUSION FOR SINGLE AUDIT SECTION ONLY – Does the audit documentation show that the auditor:

- (1) Obtained an understanding of the entity's fraud and control risk factors over its federal programs;
- (2) Documented the key internal controls over major federal programs and tested whether all the key internal controls were properly designed;
- (3) Assessed the risk of material noncompliance for each major federal program at the applicable compliance requirement level;
- (4) Correctly determined the major federal programs for the entity.

[illegible]

- [illegible]

- (8) Did the auditor document the accumulation of audit differences by program, detected by non-sampling substantive procedures and projected audit differences from substantive procedures that used sampling? Was the materiality evaluation made at the major program level for opining on the entity's compliance with requirements having a direct and material effect on a major program? (PPC form *GSA-CX-11.2, Noncompliance Evaluation Form – Federal Award Programs*, is an example of this documentation of accumulation of audit differences and evaluation. Note that a different PPC form must be used for each major program.)
- (9) Does the audit documentation provide sufficient evidence of compliance testing including tests of controls, substantive testing, or as a combination of the two, and other audit procedures sufficient to support an opinion on compliance for each major program? (AAG-GAS 10.39 –.42)
- (10) Did the auditor test the agency's procurement standards to ensure they comply with Uniform Guidance? (2 CFR 200.318)

OSA REVIEWER'S CONCLUSION FOR SINGLE AUDIT SECTION ONLY – Does the audit documentation show that the auditor:

- (1) Prepared an audit program based on the current Compliance Supplement that was tailored to fit the auditor's assessed risk at the compliance requirement level, for the agency's major federal programs;
- (2) Properly documented selections for nonsampling substantive procedures and sampling procedures;
- (3) Properly evaluated the sufficiency and appropriateness of audit evidence obtained; and
- (4) Supported the auditor's opinion regarding whether the auditee complied, in all material respects (or did not comply) with the types of compliance requirements in the Compliance Supplement that were applicable and material to each of the major federal programs.

H. Schedule of Expenditures of Federal Awards - Does the audit documentation contain evidence that the auditor:

- (1) Performed procedures to determine that the Schedule of Expenditures of Federal Awards is presented fairly in all material respects in relation to the entity's financial statements taken as a whole? (AAG-GAS 5.05).
- (2) If the auditor identified deficiencies in internal control that relate to the auditee's preparation of a complete and accurate schedule, did the auditor evaluate the severity of each deficiency in internal control and determine whether the deficiency, individually or in combination, is a significant deficiency or material weakness relating to internal control over financial reporting, internal control over compliance, or both. (AAG-GAS 7.16).
- (3) Determined that the entity properly disclosed the basis of accounting and the significant accounting policies used in preparing the Schedule? (AAG-GAS 7.20)

I. Federal Award Findings

- (1) Did the auditor report only the following types of findings in the component of the Schedule of Findings and Questioned Costs used to report findings for Federal Awards and in the Report on Compliance for each Major Federal Program and on Internal Control over Compliance required by 2 CFR 200? (2 CFR 200.516 and AAG-GAS 13.38).
- i. Findings listed at 2 CFR 200.516(a)
- a. Significant deficiencies and material weaknesses in internal controls over major programs and significant instances of abuse relating to major programs.
- b. Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program (in relation to a type of compliance requirement for a major program or an audit objective identified in the Compliance Supplement).
- c. Known questioned costs that are greater than \$25,000 for a type of compliance requirement for a major program. (Known questioned costs are those specifically identified by the auditor.) The auditor must also report known questions costs

when <i>likely</i> questioned costs are greater than \$25,000 for a type of compliance requirement for a major program.				
d. Known questioned costs that are greater than \$25,000 for Federal programs that are not audited as major.				
e. The circumstances concerning why the auditor's report on compliance for each major program is other than an unmodified opinion, unless such circumstances are otherwise reported as audit findings in the schedule of findings and questioned costs for federal awards (for example a scope limitation that is not otherwise reported as a finding).				
f. Known or likely fraud affecting a Federal award, unless such fraud is otherwise reported as an audit finding in the schedule of findings and questioned costs for federal awards.				
g. Instances where the results of audit follow-up procedures disclosed that the summary schedule of prior audit findings prepared by the auditee materially misrepresent the status of any prior audit finding.				
(2) Did the auditor report all conditions identified in the audit documentation that met any of the conditions identified in 2 CFR 200.516(a) above, as federal findings and questioned costs?				
(3) Are the findings presented in sufficient detail and clarity for the auditee to prepare a corrective action plan and take corrective action, and for Federal agencies and pass-through entities to arrive at a management decision, including the following information (2 CFR 200.516(b), AAG-GAS 13.41, and Section 2.2.2.10(I)(3)(c) NMAC):				
i. Federal program and specific Federal award identification including the CFDA title and number, Federal award identification number and year, name of Federal agency, and name of applicable pass-through entity;				
ii. The criteria or specific requirement upon which the audit finding is based;				
iii. The condition found;				
iv. A statement of cause that identifies the reason or explanation for the condition;				
v. The possible asserted effect;				
vi. Identification of questioned costs and how they were computed (known questioned costs must be identified by applicable CFDA number(s) and applicable Federal award identification number(s));				
vii. Information to provide proper perspective for judging the prevalence and consequences of the audit findings, such as whether the audit findings represent an isolated instance or a systemic problem. Where appropriate, instances identified must be related to the universe and the number of cases examined and be quantified in terms of dollar value. The auditor should report whether the sampling was a statistically valid sample;				
viii. Identification of whether the audit finding was a repeat of a finding in the immediately prior audit and, if so, any applicable prior year audit finding numbers;				
ix. Recommendations to prevent future occurrences of the deficiency identified in the audit finding;				
x. Views of responsible officials of the auditee.				
(4) Are the questioned costs and how they were computed identified in the finding? (2 CFR 200.516(b)(6); AAGGAS 13.41f)				
(5) Is the following information included in the federal findings:				
i. the federal programs and awards specifically identified;				
ii. the Catalog of Federal Domestic Assistance (CDFA) title and number;				
iii. the federal award number and year;				
iv. the name of federal agency; and				
v. the name of applicable pass-through entity?				
(6) When information such as the CFDA title and number or federal award number is not available, did the auditor provide the best information available to describe the federal award? (2 CFR 200.516; AAG-GAS 13.41).				

- | | | | | | |
|---|---|--|--|--|--|
| <p>(7) If the auditor's audit of the auditee's compliance with requirements applicable to a major program detected material instances of noncompliance with those requirements, did the auditor express a modified opinion on compliance in the report on compliance with requirements applicable to each major program and on internal control over compliance? (AU-C 705, AAG-GAS 13.22).</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
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| <p>(8) Does the audit report include a Schedule of Findings and Questioned Costs (AAG-GAS 13.33; 2 CFR 200.515(d))? Is the schedule titled as such in the report and does the schedule include the following information?</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
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| <p style="padding-left: 40px;">i. Does the Schedule of Findings and Questioned Costs begin with a Summary of Auditor's Results section containing the following elements?</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
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| <p style="padding-left: 40px;">(a) The type of report the auditor issued on the financial statements of the auditee (that is, unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)?</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
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| <p style="padding-left: 40px;">(b) A statement regarding whether or not any significant deficiencies in internal control were disclosed by the audit of the financial statements and whether any such conditions were material weaknesses?</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
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| <p style="padding-left: 40px;">(c) A statement regarding whether or not the audit disclosed any non-compliance that is material to the financial statements?</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
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| <p style="padding-left: 40px;">(d) A statement regarding whether or not significant deficiencies in the internal control over major programs were disclosed by the audit and whether any such deficiencies were material weaknesses?</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
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| <p style="padding-left: 40px;">(e) The type of report the auditor issued on compliance for major programs (that is, unmodified opinion, qualified opinion, adverse opinion, or disclaimer of opinion)?</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
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| <p style="padding-left: 40px;">(f) A statement regarding whether the audit disclosed any audit findings that the auditor is required to report under 2 CFR 200.516.</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
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| <p style="padding-left: 40px;">(g) Is there an identification of major programs by listing each individual major program or cluster of programs?</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
| | | | | | |
| <p style="padding-left: 40px;">(h) Is there an identification of the dollar threshold used to distinguish between type A and type B programs as described in 2 CFR 200.518(b)(1) or (b)(3)?</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
| | | | | | |
| <p style="padding-left: 40px;">(i) Is there a statement on whether the auditee qualified as a low-risk auditee under 2 CFR 200.520?</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
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REVIEWER'S CONCLUSION for SINGLE AUDIT SECTION ONLY – Does the audit documentation and the audit report show that the auditor:

- | | | | | | |
|---|---|--|--|--|--|
| <p>(1) Included all the required information in the federal award findings per 2 CFR 200.516, <i>Audit Findings</i>;</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
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| <p>(2) Classified as federal award findings only the allowed types of federal award findings per 2 CFR 200.516, <i>Audit Findings</i>;</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
| | | | | | |
| <p>(3) Gave an opinion (or disclaimer of opinion) as to whether the auditee complied with laws, regulations, and the provisions of contracts or grant agreements which the OSA reviewer believes is reasonably supported by the auditor's audit procedures and related audit documentation (2 CFR 200.515, <i>Audit Reporting</i>);</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
| | | | | | |
| <p>(1) Classified the federal findings correctly as "Significant Deficiencies or Material Weaknesses in internal control over major programs", "Significant instances of abuse relating to major programs", or "Material noncompliance with the provisions of Federal statutes, regulations, or the terms and conditions of Federal awards related to a major program" in the Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in accordance with 2 CFR 200.515-516.</p> | <table border="1" style="width: 100%; height: 40px;"> <tr> <td></td> <td></td> <td></td> <td></td> </tr> </table> | | | | |
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XI. REVIEW COMPLETION CHECKLIST

	AU-C Section	Standard is applicable to this audit- Y or N or Not Significant	Auditor complied with this Standard Y or N or N/A	Review Guide Page Reference	Deficiencies
II. GENERAL PRINCIPLES AND RESPONSIBILITIES					
(A)	AU-C 200 – Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Generally Accepted Auditing Standards (GAAS)			5-6	# __ Significant deficiencies # __ Less-than-significant
(B)	AU-C 230 Audit Documentation			6	# __ Significant deficiencies # __ Less-than-significant
(C)	AU-C 240 Consideration of Fraud in a Financial Statement Audit			6-7	# __ Significant deficiencies # __ Less-than-significant
(D)	AU-C 250 Consideration of Laws and Regulations in an Audit of Financial Statements			7-9	# __ Significant deficiencies # __ Less-than-significant
(E)	AU-C 260 The Auditor's Communication With Those Charged With Governance			9-10	# __ Significant deficiencies # __ Less-than-significant
(F)	AU-C 265 Communicating Internal Control Related Matters Identified in an Audit			10-11	# __ Significant deficiencies # __ Less-than-significant
(IX)	AU-C 200 Overall Conclusions			42-43	# __ Significant deficiencies # __ Less-than-significant
III. RISK ASSESSMENT AND RESPONSE TO ASSESSED RISKS					
(G)	AU-C 300 Planning an Audit			11-12	# __ Significant Deficiencies # __ Less-than-significant
(H)	AU-C 315 Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement			12-13	# __ Significant Deficiencies # __ Less-than-significant
(I)	AU-C 320 Materiality in Planning and Performing an Audit			13-14	# __ Significant deficiencies # __ Less-than-significant

(J)	AU-C 330 Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained			14	# __ Significant deficiencies # __ Less-than-significant
(K)	AU-C 402 Audit Considerations Relating to an Entity Using a Service Organization			15	# __ Significant deficiencies # __ Less-than-significant
(L)	AU-C 450 Evaluation of Misstatements Identified (Applicable only if misstatements are identified by the auditor)			15	# __ Significant deficiencies # __ Less-than-significant
IV. AUDIT EVIDENCE					
(M)	AU-C 500 Audit Evidence			16-30	# __ Significant deficiencies # __ Less-than-significant
(N)	AU-C 501 Audit Evidence			16-30	# __ Significant deficiencies # __ Less-than-significant
(O)	AU-C 510 Opening Balances – Initial audit Engagements, Including Reaudit Engagements			31	# __ Significant deficiencies # __ Less-than-significant
(P)	AU-C 520 Analytical Procedures			31	# __ Significant deficiencies # __ Less-than-significant
(Q)	AU-C 530 Audit Sampling (Applicable when the auditor is designing an audit sample)			31-32	# __ Significant deficiencies # __ Less-than-significant
(R)	AU-C 540 Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures			26-32	# __ Significant Deficiencies # __ Less-than-significant
(S)	AU-C 550 Related Parties			32-33	# __ Significant deficiencies # __ Less-than-significant
(T)	AU-C 560 Subsequent Events and Subsequently Discovered Facts (applicable if the agency had subsequent issues)			33	# __ Significant deficiencies # __ Less-than-significant
(U)	AU-C 570 The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern (applicable if this is an issue for the agency)			33	# __ Significant deficiencies # __ Less-than-significant

(V)	AU-C 580 Written Representations			33-36	# ___ Significant deficiencies # ___ Less-than-significant
(W)	AU-C 585 Consideration of Omitted Procedures After the Report Release Date (if applicable)			36	# ___ Significant deficiencies # ___ Less-than-significant
V. USING THE WORK OF OTHERS					
(X)	AU-C 600 Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors) – (Applicable if the audit firm for a component unit is different from the audit firm of the primary government)			36-37	# ___ Significant deficiencies # ___ Less-than-significant
(Y)	AU- C 610 The Auditor’s Consideration of the Internal Audit Function in an Audit of Financial Statements (Applicable if the agency has an internal audit function)			38	# ___ Significant deficiencies # ___ Less-than-significant
(Z)	AU-C 620 Using the Work of an Auditor’s Specialist (Applicable if the audit firm used an internal specialist or an external specialist)			38-39	# ___ Significant deficiencies # ___ Less-than-significant
VI. AUDIT CONCLUSIONS AND REPORTING					
(AA)	AU-C 708 Consistency of Financial Statements			39-40	# ___ Significant Deficiencies # ___ Less-than-significant
(BB)	AU-C 720 Other Information in Documents Containing Audited Financial Statements			40	# ___ Significant Deficiencies # ___ Less-than-significant
(CC)	AU-C 725 Supplementary Information in Relation to the Financial Statements as a Whole			40-41	# ___ Significant Deficiencies # ___ Less-than-significant
(DD) & (EE)	AU-C 730 Required Supplementary Information			41	# ___ Significant Deficiencies # ___ Less-than-significant
VII. OTHER-THAN-GAAP FRAMEWORK					
(FF)	AU-C 805 Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement			42	# ___ Significant Deficiencies # ___ Less-than-significant

VIII. RESTRICTING THE USE OF THE AUDITOR'S REPORT					
(GG)	AU-C 905 Restricting the Use of an Auditor's Report			42	# ___ Significant Deficiencies # ___ Less-than-significant
X. SINGLE AUDIT					
	AU-C 935 Compliance Audits (Uniform Guidance)			44-52	# ___ Significant Deficiencies # ___ Less-than-significant

Conclusion:

(II) In the category of “general principles” we tested ____ applicable areas and found ____ significant deficiencies and ____ less-than-significant deficiencies.

(III) In the category of “risk assessment and response to assessed risks” we tested ____ applicable areas and found ____ significant deficiencies and ____ less-than-significant deficiencies.

(IV) In the category of “audit evidence” we tested ____ applicable areas and found ____ significant deficiencies and ____ less-than-significant deficiencies.

(V) In the category of “using the work of others” we tested ____ applicable areas and found ____ significant deficiencies and ____ less-than-significant deficiencies.

(VI) In the category of “audit conclusions and reporting” we tested ____ applicable areas and found ____ significant deficiencies and ____ less-than-significant deficiencies.

(VII) In the category of “other-than-GAAP framework” we tested ____ applicable areas and found ____ significant deficiencies and ____ less-than-significant deficiencies.

(VIII) In the category of “restricting the use of an auditor’s report” we tested ____ applicable areas and found ____ significant deficiencies and ____ less-than-significant deficiencies.

(IX) In the category of “overall conclusions” we tested ____ applicable areas and found ____ significant deficiencies and ____ less-than-significant deficiencies.

(X) In the category of “Single Audit” we found ____ significant deficiencies and ____ less-than-significant deficiencies.

REVIEWER _____

SUPERVISOR _____

DATE _____

DATE _____