NOTE: The illustrative reports included here represent a sampling of the report examples included in chapter 13 of the latest edition of the AICPA Audit Guide, Government Auditing Standards and Single Audits (GAS-SA Guide). Purchase the 2021 edition to access to access the full set of examples.

13.68 **These illustrations and the additional illustrations in the 2021 GAS-SA Guide have been updated to reflect new reporting standards established by AICPA Statements on Auditing Standards (SAS) Nos. 134 through 141. These reports are effective for fiscal years ending on or after December 31, 2021. For reports with fiscal years ending before December 31, 2021, the auditor would use the reports from the 2020 edition of the GAS-SA Guide.**

Appendix — Illustrative Auditor's Reports Under the Uniform Guidance

Government Auditing Standards and Single Audits

Update 13-3: Reporting

Due to the timing of the effective dates of Statement on Auditing Standards (SAS) Nos. 134–140,[1] this edition of the guide has been updated to reflect changes as a result of SAS Nos. 134–141. For auditors that are not early implementing SAS Nos. 134–140, it will be necessary for auditors to look back to the 2020 AICPA Audit Guide Government Auditing Standards *and Single Audits* (as of April 1, 2020) for the auditing guidance and illustrative auditor reporting in effect prior to SAS Nos. 134–140. The 2020 edition of the guide remains available in all formats in the AICPA store through https://future.aicpa.org/cpe-learning. This edition of the guide is relevant to auditors that have implemented SAS Nos. 134–140 early and generally for all audits of financial statements for periods ending on or after December 15, 2021 (or as specified by the individual standard).

The following report illustrations have been updated to reflect the following new reporting standards issued by the AICPA, as applicable:

- SAS No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*
- SAS No. 137, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports* (AU-C sec. 720)
- SAS No. 138, *Amendments to the Description of the Concept of Materiality*
- SAS No. 139, *Amendments to AU-C Sections 800, 805, and 810 to Incorporate Auditor Reporting Changes from SAS No. 134*
- SAS No. 140, *Amendments to AU-C Sections 725, 730, 930, 935, and 940 to Incorporate Auditor Reporting Changes from SAS Nos. 134 and 137*

The example reports listed in the table that follows illustrate the report on compliance with each major federal program and on internal control over compliance issued under the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), in various circumstances as discussed in this chapter. Auditors should revise the illustrative reports as needed in different situations, using elements of the illustrative reports, as applicable.

The illustrative reports provided are as follows:

Examples 13-1 through 13-6 include the following: Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of

[1] Statements on Auditing Standards (SASs) are codified in AICPA *Professional Standards*.

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Federal Awards Required by the Uniform Guidance. Additionally, an illustrative Schedule of Findings and Questioned Costs is included in example 13-7; and an illustrative stand-alone opinion on the Schedule of Expenditures of Federal Awards is included in example 13-8.

The descriptions in the following table indicate the type of opinion(s) and whether material weaknesses and/or significant deficiencies are reported. The reports and Schedule of Findings and Questioned Costs have been updated to reflect the revised name for the Catalog of Federal Domestic Assistance (CFDA) number. In August 2020, revisions to the Uniform Guidance were issued that revised CFDA to Assistance Listings. In the illustrative reports and schedule, the federal program numbers formerly known as CFDA numbers are now referred to as Assistance Listing numbers.

Example No.	***Title***
13-1	Unmodified Opinion on Compliance for Each Major Federal Program; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified
13-2	Unmodified Opinion on Compliance for Each Major Federal Program; Significant Deficiencies in Internal Control Over Compliance Identified
13-3	Unmodified Opinion on Compliance for Each Major Federal Program; Material Weaknesses in Internal Control Over Compliance Identified; No Significant Deficiencies in Internal Control Over Compliance Identified
13-4	Qualified Opinion on Compliance for One Major Federal Program; Unmodified Opinion on Compliance on Each of the Other Major Federal Programs; Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance Identified
13-5	Qualified Opinion on Compliance — Scope Limitation for One Major Federal Program; Unmodified Opinion on Compliance on Each of the Other Major Federal Programs; Significant Deficiencies in Internal Control Over Compliance Identified
13-6	Adverse Opinion on Compliance for One Major Federal Program; Unmodified Opinion on Compliance on Each of the Other Major Federal Programs; Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance Identified
13-7	Schedule of Findings and Questioned Costs
13-8	Unmodified Opinion on Schedule of Expenditures of Federal Awards When the Auditor Is Issuing a Stand-Alone Report Under AU-C Section 805, *Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*

In a single audit, auditors also are required to issue (*a*) an opinion (or disclaimer of opinion) on the financial statements and on the supplementary schedule of expenditures of federal awards and (*b*) a 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*. The appendix in chapter 4, "Auditor Reporting Requirements and Other Communication Considerations of *Government Auditing Standards*," of this guide illustrates those reports. The appendix in chapter 14, "Program-Specific Audits," of this guide illustrates the reports issued for a program-specific audit.

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Example 13-1

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance[2]

(*Unmodified Opinion on Compliance for Each Major Federal Program; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)*[3]

Independent Auditor's Report

[*Appropriate Addressee*]

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Example Entity's compliance with the types of compliance requirements[4] identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Example Entity's major federal programs for the year ended June 30, 20X1. Example Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*[5] issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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[2] If the in-relation-to reporting on the schedule of expenditures of federal awards is included in the report on the financial statements or in a separate report, this section would be omitted, and the title of the report would be modified as follows:

> "Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance."

[3] Examples 13-1–13-6 are intended to provide illustrations for various situations. Auditors, using professional judgment, may adapt these examples to other situations not specifically addressed within the illustrations. For example, the compliance section of one example may be used along with the internal control section of another.

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

[5] The standards and guidance applicable to financial audits are found in chapters 1–6 of *Government Auditing Standards*.

We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Example Entity's compliance with the compliance requirements referred to above.[6]

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Example Entity's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Example Entity's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Example Entity's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Example Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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[6] If the audit of federal awards does not encompass the entirety of the auditee's operations expending federal awards, the data collection form (Form SF-SAC) specifies that the operations that are not included may be identified in a separate section with the heading "Other Matter – Federal Expenditures Not Included in the Compliance Audit" preceding the "Responsibilities of Management for Compliance" section. An example of such a paragraph follows:

> ***Other Matter – Federal Expenditures Not Included in the Compliance Audit***
> Example Entity's basic financial statements include the operations of the [*identify organizational unit, such as a governmental component unit, an operating unit, or a department*], which expended [*include dollar amount, if known*] in federal awards which is not included in Example Entity's schedule of expenditures of federal awards during the year ended June 30, 20X1. Our compliance audit, described in the "Opinion on Each Major Federal Program," does not include the operations of [*identify organizational unit*] because [*state the reason for the omission, such as the organizational unit engaged other auditors to perform an audit of compliance*].

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- obtain an understanding of Example Entity's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Example Entity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters[7]

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 20X1-001 and 20X1-002*].[8] Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Example Entity's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.[9,10,11]

Report on Internal Control Over Compliance[12]

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in

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[7] When there are no findings that are required to be reported, this "Other Matters" section of the report would be omitted.

[8] The auditor may also consider adding a table to this section of the report, similar to the illustration provided in footnote 65, to more clearly communicate the other findings that are being reported and the programs and requirements to which they relate.

[9] Although not required, the auditor may include this paragraph to clarify that the auditor is not providing an opinion on Example Entity's response. See paragraph .A38 of AU-C section 935, *Compliance Audits*.

All AU-C sections can be found in AICPA *Professional Standards*.

[10] Although the auditor does not audit Example Entity's response to identified findings, the auditor does have certain responsibilities related to reporting views of responsible officials under *Government Auditing Standards*. See paragraphs 6.57–6.60 of *Government Auditing Standards* for guidance when the audited entity's comments are inconsistent with the auditor's findings, conclusions, or recommendations. See paragraph 13.44 for additional information.

[11] There is nothing to preclude an auditor from including an additional disclaimer paragraph related to the corrective action plan to clarify that the auditor is not providing an opinion on the corrective action plan. See the note at paragraph 13.51 for additional information. An example of wording the auditor may use follows:

> Example Entity is responsible for preparing a corrective action plan to address each audit finding included in our auditor's report. Example Entity's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

[12] Examples 13-1–13-6 illustrate combined reports that also include reporting on internal control over compliance. If an auditor prefers to issue a separate report on internal control over compliance, this section would be omitted from the report. AU-C section 935 includes required elements for separate reporting on internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.[13]

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance[14,15]

We have audited the financial statements of Example Entity as of and for the year ended June 30, 20X1, and have issued our report thereon dated August 15, 20X1, which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to

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

[14] The wording of this report is based on AU-C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*.

[15] As noted in paragraph 13.06, this guide recommends reporting on the schedule of expenditures of federal awards in the report on the financial statements. Chapter 4, "Auditor Reporting Requirements and Other Communication Considerations of *Government Auditing Standards*," of this guide illustrates the reporting on the schedule when such reporting is included in the financial statement report. However, as noted in paragraph 13.19, there may be certain circumstances when the auditor's report on the schedule is incorporated into the report issued to meet the requirements of the Uniform Guidance. Therefore, examples 13-1–13-6 illustrate the inclusion of the auditor's in-relation-to reporting on the schedule of expenditures of federal awards. Its inclusion in these examples is not intended to imply a best practice.

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prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.[16]

[*Signature of the auditor's firm*]
[*City and state where auditor's report is issued*][17]
[*Date of the auditor's report*][18]

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[16] The wording of this report on the schedule of expenditures of federal awards refers to the financial statements of a nongovernmental entity. For governmental entities, the wording should be revised to appropriately reflect the reporting structure and opinion units identified in the opinion section of the auditor's report on the financial statements. For example, the wording could be replaced with the following:

> **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**
>
> We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Example Entity as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise Example Entity's basic financial statements. We issued our report thereon, dated August 15, 20X1, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements and certain additional procedures including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

[17] Technical Questions and Answers (Q&A) section 9100.07 indicates that the city and state where the auditor practices may be named in the firm's letterhead on which the report is issued and is not required to be placed under the auditor's signature. The Q&A has not been updated for SAS No. 134, as amended, but it is expected after the issuance of this guide. Once issued, the updated Q&A will be posted at www.aicpa.org/interestareas/frc/recentlyissuedtechnicalquestionsandanswers.html.

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

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

[18] As noted in footnote 14, examples 13-1–13-6 illustrate the inclusion of the in-relation-to opinion on the schedule of expenditures of federal awards. AU-C section 725 states that the date of the auditor's report on supplementary information (for example, the schedule of expenditures of federal awards in these illustrations) in relation to the financial statements as a whole should not be earlier than the date on which the auditor completed the procedures required by AU-C section 725. Therefore, when the required procedures in AU-C section 725 are completed on an earlier date than that of the auditor's "Report on Compliance for Each Major Federal Program," the auditor would dual-date this report. See the discussion beginning at paragraph 13.16 of this guide for further discussion of dating the in-relation-to reporting on the schedule of expenditures of federal awards. Illustrative wording when dual dating the report is as follows:

> [Date], except for our report on the Schedule of Expenditures of Federal Awards, for which the date is [*Date the in-relation-to procedures completed*]

Example 13-2

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

(*Unmodified Opinion on Compliance for Each Major Federal Program; Significant Deficiencies in Internal Control Over Compliance Identified)*[19]

Independent Auditor's Report

[*Appropriate Addressee*]

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Example Entity's compliance with the types of compliance requirements[20] identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Example Entity's major federal programs for the year ended June 30, 20X1. Example Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*[21] issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Example Entity's compliance with the compliance requirements referred to above.[22]

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Example Entity's federal programs.

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[19] See footnote 3.

[20] See footnote 4.

[21] See footnote 5.

[22] See footnote 6.

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Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Example Entity's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Example Entity's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Example Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Example Entity's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Example Entity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters[23]

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 20X1-001 and 20X1-002*].[24] Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Example Entity's response to the noncompliance findings identified in

[23] See footnote 7.

[24] See footnote 8.

our audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.[25,26,27]

Report on Internal Control Over Compliance[28]

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 20X1-003, 20X1-004, and 20X1-005*],[29] to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Example Entity's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.[30,31,32]

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

[25] See footnote 9.

[26] See footnote 10.

[27] See footnote 11.

[28] See footnote 12.

[29] The auditor may also consider adding a table to this section of the report, similar to the illustration provided in footnote 65, to more clearly communicate any material weaknesses or significant deficiencies that were identified and the programs and requirements to which they relate.

[30] See footnote 9.

[31] See footnote 10.

[32] See footnote 11.

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results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.[33]

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance[34,35]

We have audited the financial statements of Example Entity as of and for the year ended June 30, 20X1, and have issued our report thereon dated August 15, 20X1 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.[36]

[*Signature of the auditor's firm*]
[*City and state where auditor's report is issued*][37]
[*Date of the auditor's report*][38]

Example 13-3

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

(*Unmodified Opinion on Compliance for Each Major Federal Program; Material Weaknesses in Internal Control Over Compliance Identified; No Significant Deficiencies in Internal Control Over Compliance Identified)*[39]

Independent Auditor's Report

[*Appropriate Addressee*]

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Example Entity's compliance with the types of compliance requirements[40] identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Example Entity's

[33] See footnote 13.
[34] See footnote 14.
[35] See footnote 15.
[36] See footnote 16.
[37] See footnote 17.
[38] See footnote 18.
[39] See footnote 3.
[40] See footnote 4.

major federal programs for the year ended June 30, 20X1. Example Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*[41] issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Example Entity's compliance with the compliance requirements referred to above.[42]

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Example Entity's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Example Entity's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Example Entity's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

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[41] See footnote 5.

[42] See footnote 6.

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- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Example Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Example Entity's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Example Entity's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters[43]

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 20X1-001 and 20X1-002*].[44] Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on Example Entity's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.[45,46,47]

Report on Internal Control Over Compliance[48]

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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[43] See footnote 7.

[44] See footnote 8.

[45] See footnote 9.

[46] See footnote 10.

[47] See footnote 11.

[48] See footnote 12.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example 20X1-003, 20X1-004, and 20X1-005*][49] to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on Example Entity's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.[50,51,52]

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.[53]

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance[54,55]

We have audited the financial statements of Example Entity as of and for the year ended June 30, 20X1, and have issued our report thereon dated August 15, 20X1 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and

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[49] See footnote 29.
[50] See footnote 9.
[51] See footnote 10.
[52] See footnote 11.
[53] See footnote 13.
[54] See footnote 14.
[55] See footnote 15.

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relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.[56]

[*Signature of the auditor's firm*]
[*City and state where auditor's report is issued*][57]
[*Date of the auditor's report*][58]

Example 13-4

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

(Qualified Opinion on Compliance for One Major Federal Program; Unmodified Opinion on Compliance on Each of the Other Major Federal Programs; Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance Identified)[59]

Independent Auditor's Report

[*Appropriate Addressee*]

Report on Compliance for Each Major Federal Program

Qualified and Unmodified Opinions

We have audited Example Entity's compliance with the types of compliance requirements[60] identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Example Entity's major federal programs for the year ended June 30, 20X1. Example Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Qualified Opinion on [Identify Major Federal Program][61]

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, Example Entity complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on [*identify the major federal program*] for the year ended June 30, 20X1.

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[56] See footnote 16.

[57] See footnote 17.

[58] See footnote 18.

[59] See footnote 3.

[60] See footnote 4.

[61] The heading to this section, and the *Matter Giving Rise to Qualified Opinion* section, illustrate identifying the specific major federal programs being referred to in each heading.