

NOTE: The illustrative reports included here represent a sampling of the report examples included in chapter 13 of the AICPA's Audit Guide, Government Auditing Standards and Single Audits (GAS-SA Guide). Purchase the 2018 edition of the GAS-SA Guide to access the full set of examples.

13.66 Government Auditing Standards and Single Audits

Appendix—Illustrative Auditor’s Reports Under the Uniform Guidance

This appendix contains examples of the report on compliance with requirements that could have a direct and material effect on 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. The following table lists the illustrative reports. Auditors, using professional judgment, may adapt these examples to other situations not specifically addressed in this guide.

Example No.	Title
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 (<i>Unmodified Opinion on Compliance for Each Major Federal Program; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified</i>)
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 (<i>Unmodified Opinion on Compliance for Each Major Federal Program; Significant Deficiencies in Internal Control Over Compliance Identified</i>)
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 (<i>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</i>)
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 (<i>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</i>)

(continued)

<i>Example No.</i>	<i>Title</i>
13-5	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 (<i>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</i>)
13-6	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 (<i>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</i>)
13-7	Schedule of Findings and Questioned Costs
13-8	Report on Schedule of Expenditures of Federal Awards When the Auditor Is Issuing a Stand-Alone Report Under AU-C Section 805, <i>Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement (Unmodified Opinion on Schedule of Expenditures of Federal Awards)</i>

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.

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*****(Unmodified Opinion on Compliance for Each Major Federal Program; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)***¹Independent Auditor's Report

[Appropriate Addressee]

Report on Compliance for Each Major Federal Program

We have audited Example Entity's compliance with the types of compliance requirements² described in the *OMB Compliance Supplement* that could have a direct and material effect³ 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.⁴

¹ 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.

² Under 2 CFR 200.516(a) the auditor's determination of whether a 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 Office of Management and Budget (OMB) *Compliance Supplement (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*. 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 *Compliance Supplement*.

³ AU-C section 935, *Compliance Audits (AICPA, Professional Standards)*, defines *applicable compliance requirements* as the compliance requirements that are subject to the compliance audit. According to 2 CFR 200.515, the auditor's report on compliance with federal statutes, regulations, and the terms and conditions of federal awards must include an opinion (or disclaimer of opinion) regarding whether the auditee complied with federal statutes, regulations, and the terms and conditions of federal awards that could have a direct and material effect on each major program. Therefore, in a compliance audit performed under Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), the *applicable compliance* requirements are those that are subject to audit. Accordingly, for the purpose of adapting AU-C section 935 to a Uniform Guidance compliance audit, the term *applicable* has been replaced by *direct and material* when referencing such compliance requirements in this report. See also footnote 2 of this appendix for a discussion related to the determination of material noncompliance.

⁴ As discussed in paragraph 13.33 and in chapter 6, "Planning Considerations Under the Uniform Guidance," of this guide, there are situations in which the audit of federal awards may not encompass the entirety of the auditee's operations. In this case, the operations that are not included should be identified in a separate paragraph following the first paragraph of the report. An example of such a paragraph follows:

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 audit, described below, did 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].

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Example Entity's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Example Entity complied, in all material respects, with the types of 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.

Other Matters⁵

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].⁶ Our opinion on each major federal program is not modified with respect to these matters.

Example Entity's response to the noncompliance findings identified in our audit is described in the accompanying [insert name of document containing management's response to the auditor's findings; for example, schedule of findings and questioned costs and / or corrective action plan]. Example Entity's response was

⁵ When there are no findings that are required to be reported, this "Other Matters" section of the report would be omitted.

⁶ The auditor may also consider adding a table to this section of the report, similar to the illustration provided in footnote 60, to more clearly communicate the other findings that are being reported and the programs and requirements to which they relate.

not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.^{7,8}

Report on Internal Control Over Compliance⁹

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.¹⁰

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

⁷ Although not required, the auditor may include this paragraph to clarify that the auditor is not providing an opinion on management's response. See paragraph 13.27 for additional information.

⁸ Although the auditor does not audit management's response to identified findings, the auditor does have certain responsibilities related to reporting the views of responsible officials under the Uniform Guidance and *Government Auditing Standards*. See paragraphs 13.39h and 13.50 for further discussion.

⁹ Examples 13-1–13-6 illustrate combined reports that also include the reporting on internal control over compliance. If an auditor prefers to issue a separate report on internal control over compliance, this section would be omitted from the report. AU-C section 935 includes required elements for separate reporting on internal control over compliance.

¹⁰ Although the definitions of *deficiency in internal control over compliance* and *material weakness in internal control over compliance* are required in all reporting, the definition of *significant deficiency in internal control over compliance* is not required to be included in the report when no significant deficiencies in internal control over compliance have been identified. However, for clarity purposes, the definition of *significant deficiency in internal control over compliance* is included in the example reports found in this appendix regardless of the type of deficiencies identified. The definitions included in this report are based on the definitions found in AU-C section 935.

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.¹¹

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance^{12,13}

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 conducted 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.¹⁴

¹¹ 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.

¹² The wording of this report is based AU-C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*.

¹³ 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. If the in-relation-to reporting on the schedule 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."

¹⁴ The wording of this report on the schedule of expenditures of federal awards refers to the financial statements of a nongovernmental entity. For audits of governmental entities, it would 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

(continued)

[Auditor's signature]

[Auditor's city and state]¹⁵

[Date of the auditor's report]¹⁶

(footnote continued)

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. 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 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.

¹⁵ AU-C section 700, *Forming an Opinion and Reporting on Financial Statements*, provides that the auditor's report should name the city and state where the auditor practices. City and State on a firm's letterhead typically is sufficient to meet this requirement. Technical Questions and Answers section 9100.08, "Audit Firm With Multiple Offices on Their Company Letterhead and Effect on Report" (*Technical Questions and Answers*), notes that when a firm's letterhead contains multiple office locations, the auditor would need to indicate the city and state where the auditor practices in the auditor's report.

¹⁶ As noted in footnote 13, 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)***¹⁷Independent Auditor's Report*[Appropriate Addressee]***Report on Compliance for Each Major Federal Program**

We have audited Example Entity's compliance with the types of compliance requirements¹⁸ described in the *OMB Compliance Supplement* that could have a direct and material effect¹⁹ 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.²⁰

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Example Entity's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Example Entity complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and

¹⁷ See footnote 1.

¹⁸ See footnote 2.

¹⁹ See footnote 3.

²⁰ See footnote 4.

material effect on each of its major federal programs for the year ended June 30, 20X1.

Other Matters²¹

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].²² Our opinion on each major federal program is not modified with respect to these matters.

Example Entity's response to the noncompliance findings identified in our audit is described in the accompanying [insert name of document containing management's response to the auditor's findings; for example, schedule of findings and questioned costs and / or corrective action plan]. Example Entity's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.^{23,24}

Report on Internal Control Over Compliance²⁵

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.²⁶

²¹ See footnote 5.

²² See footnote 6.

²³ See footnote 7.

²⁴ See footnote 8.

²⁵ See footnote 9.

²⁶ See footnote 10.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify certain 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*],²⁷ that we consider to be significant deficiencies.

Example Entity's response to the internal control over compliance findings identified in our audit is described in the accompanying [*insert name of document containing management's response to the auditor's findings; for example, schedule of findings and questioned costs and/or corrective action plan*]. Example Entity's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.^{28,29}

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.³⁰

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance^{31,32}

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 conducted 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

²⁷ The auditor may also consider adding a table to this section of the report, similar to the illustration provided in footnote 60, to more clearly communicate any material weaknesses or significant deficiencies that were identified and the programs and requirements to which they relate.

²⁸ See footnote 7.

²⁹ See footnote 8.

³⁰ See footnote 11.

³¹ See footnote 12.

³² See footnote 13.

federal awards is fairly stated in all material respects in relation to the financial statements as a whole.³³

[Auditor's signature]

[Auditor's city and state]³⁴

[Date of the auditor's report]³⁵

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)³⁶

Independent Auditor's Report

[Appropriate Addressee]

Report on Compliance for Each Major Federal Program

We have audited Example Entity's compliance with the types of compliance requirements³⁷ described in the *OMB Compliance Supplement* that could have a direct and material effect³⁸ 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.³⁹

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Example Entity's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance

³³ See footnote 14.

³⁴ See footnote 15.

³⁵ See footnote 16.

³⁶ See footnote 1.

³⁷ See footnote 2.

³⁸ See footnote 3.

³⁹ See footnote 4.

requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Example Entity's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, Example Entity complied, in all material respects, with the types of 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.

Other Matters⁴⁰

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*].⁴¹ Our opinion on each major federal program is not modified with respect to these matters.

Example Entity's response to the noncompliance findings identified in our audit is described in the accompanying [*insert name of document containing management's response to the auditor's findings; for example, schedule of findings and questioned costs and /or corrective action plan*]. Example Entity's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.^{42,43}

Report on Internal Control Over Compliance⁴⁴

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal

⁴⁰ See footnote 5.

⁴¹ See footnote 6.

⁴² See footnote 7.

⁴³ See footnote 8.

⁴⁴ See footnote 9.

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.⁴⁵

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify certain 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*],⁴⁶ that we consider to be material weaknesses.

Example Entity's response to the internal control over compliance findings identified in our audit is described in the accompanying [*insert name of document containing management's response to the auditor's findings; for example, schedule of findings and questioned costs and/or corrective action plan*]. Example Entity's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.^{47,48}

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.⁴⁹

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance^{50,51}

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 conducted 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

⁴⁵ See footnote 10.

⁴⁶ See footnote 27.

⁴⁷ See footnote 7.

⁴⁸ See footnote 8.

⁴⁹ See footnote 11.

⁵⁰ See footnote 12.

⁵¹ See footnote 13.

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.⁵²

[Auditor's signature]

[Auditor's city and state]⁵³

[Date of the auditor's report]⁵⁴

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)⁵⁵

Independent Auditor's Report

[Appropriate Addressee]

Report on Compliance for Each Major Federal Program

We have audited Example Entity's compliance with the types of compliance requirements⁵⁶ described in the *OMB Compliance Supplement* that could have a direct and material effect⁵⁷ 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.⁵⁸

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Example Entity's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United

⁵² See footnote 14.

⁵³ See footnote 15.

⁵⁴ See footnote 16.

⁵⁵ See footnote 1.

⁵⁶ See footnote 2.

⁵⁷ See footnote 3.

⁵⁸ See footnote 4.