

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 2015 edition of the GAS-SA Guide to access the full set of examples.

Appendix — Illustrative Auditor's Reports Under Circular A-133

13.58 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 Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), in various circumstances for a Circular A-133 compliance audit 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.

<i>Example No.</i>	<i>Title</i>
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 OMB Circular A-133 (<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 OMB Circular A-133 (<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 OMB Circular A-133 (<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 OMB Circular A-133 (<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>)
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 OMB Circular A-133 (<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 OMB Circular A-133 (<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

<i>Example No.</i>	<i>Title</i>
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 (Circular A-133)," 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 OMB Circular A-133

(Unmodified Opinion on Compliance for Each Major Federal Program; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)^{fn 1}

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 requirements^{fn 2} described in the *OMB Compliance Supplement* that could have a direct and material effect^{fn 3} on each of Example

^{fn 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. See also [paragraph 13.39](#) concerning the need to modify this report if the federal awards section of the schedule of findings and questioned costs includes abuse findings.

^{fn 2} Under Section 510(a) of Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* (Circular A-133), the auditor's determination of whether a noncompliance with the provisions of laws, regulations, contracts, and grant agreements is material for the purpose of reporting an audit finding is in relation to a type of compliance requirement for a major program or an audit objective identified in the *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 or an audit objective 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 (identified using specific letters from "A" through "N") described in part 3 of the *Compliance Supplement*. For purposes of reporting audit findings, auditors are alerted that certain of the types of compliance requirements may include multiple compliance requirements with multiple audit objectives (for example, compliance requirement "G" covers three separate requirements [matching, level of effort, and earmarking], and "N" covers separate requirements specific to each individual special test and provision).

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.^{fn 4}

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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.

^{fn 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 Section 505 of Circular A-133, the auditor's report on compliance with laws, regulations, and the provisions of contracts or grant agreements should include an opinion (or disclaimer of opinion) regarding whether the auditee complied with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program. Therefore, in a Circular A-133 compliance audit, the *applicable compliance requirements*, as the term is used in [AU-C section 935](#), are those that could have a direct and material effect on a major federal program. Accordingly, for the purpose of adapting [AU-C section 935](#) to a Circular A-133 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.

^{fn 4} As discussed in [paragraph 13.32](#) and in [chapter 6](#), "Planning Considerations of Circular A-133," 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 received [*include dollar amount*] in federal awards which is not included in the schedule 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 in accordance with Circular A-133*].

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 Matters^{fn 5}

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 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*].^{fn 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 are 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.^{fn 7}

Report on Internal Control Over Compliance^{fn 8}

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 perform-

^{fn 5} When there are no findings that are required to be reported, and thus, no management response to findings, this "Other Matters" section of the report would be omitted.

^{fn 6} The auditor may also consider adding a table to this section of the report, similar to the illustration provided in [footnote 49](#), to more clearly communicate the other findings that are being reported and the programs and requirements to which they relate.

^{fn 7} 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 *Government Auditing Standards*. As noted in paragraph 4.33 of *Government Auditing Standards*, auditors should obtain and report the views of responsible officials concerning the findings, conclusions, and recommendations, as well as planned corrective actions. See [paragraphs 13.38g](#) and [13.45](#) for further discussion.

^{fn 8} [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.

ing 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 OMB Circular A-133, 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 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.^{fn 9}

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133^{fn 10 fn 11}

^{fn 9} This paragraph has been adapted from [AU-C section 905](#), *Alert That Restricts the Use of the Auditor's Written Communication* (AICPA, *Professional Standards*), to relate to the reporting on internal control over compliance that is required in an audit of compliance in accordance with Circular A-133.

^{fn 10} The wording of this report is based [AU-C section 725](#), *Supplementary Information in Relation to the Financial Statements as a Whole* (AICPA, *Professional Standards*).

^{fn 11} 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*," 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 OMB Circular A-133. 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,

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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.^{fn 12}

[Auditor's signature]

[Auditor's city and state]^{fn 13}

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 OMB Circular A-133."

^{fn 12} The wording of this report on the schedule of expenditures of federal awards refers to the financial statements of a non-governmental entity. For audits of governmental entities, it would be replaced with the following:

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

^{fn 13} [AU-C section 700](#), *Forming an Opinion and Reporting on Financial Statements* (AICPA, *Professional Standards*), 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. Q&A section 9100.08, "Audit Firm With Multiple Offices on Their Company Letterhead and Effect on Report" (AICPA, *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.

[Date of the auditor's report]^{fn 14}

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 OMB Circular A-133

(Unmodified Opinion on Compliance for Each Major Federal Program; Significant Deficiencies in Internal Control Over Compliance Identified)^{fn 15}

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 requirements^{fn 16} described in the *OMB Compliance Supplement* that could have a direct and material effect^{fn 17} 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.^{fn 18}

^{fn 14} As noted in [footnote 11](#), [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]

^{fn 15} See [footnote 1](#).

^{fn 16} See [footnote 2](#).

^{fn 17} See [footnote 3](#).

^{fn 18} See [footnote 4](#).

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Matters^{fn 19}

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 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*].^{fn 20} 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 are 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 re-

^{fn 19} See [footnote 5](#).

^{fn 20} See [footnote 6](#).

sponse was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.^{fn 21}

Report on Internal Control Over Compliance^{fn 22}

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 OMB Circular A-133, 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 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 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 were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as 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*],^{fn 23} that we consider to be significant deficiencies.

^{fn 21} See [footnote 7](#).

^{fn 22} See [footnote 8](#).

^{fn 23} The auditor may also consider adding a table to this section of the report, similar to the illustration provided in [footnote 49](#), to more clearly communicate any material weaknesses or significant deficiencies that were identified and the programs and requirements to which they relate.

Example Entity’s response to the internal control over compliance findings identified in our audit are 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.^{fn 24}

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133^{fn 25 fn 26}

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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.^{fn 27}

[*Auditor’s signature*]

[*Auditor’s city and state*]^{fn 28}

^{fn 24} See [footnote 9](#).

^{fn 25} See [footnote 10](#).

^{fn 26} See [footnote 11](#).

^{fn 27} See [footnote 12](#).

^{fn 28} See [footnote 13](#).

[Date of the auditor's report]^{fn 29}

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 OMB Circular A-133

(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)^{fn 15 (30)}

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 requirements^{fn 16 (31)} described in the *OMB Compliance Supplement* that could have a direct and material effect^{fn 17 (32)} 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.^{fn 18 (33)}

Management's Responsibility

^{fn 29} See [footnote 14](#).

^{fn 15 (30)} See [footnote 1](#).

^{fn 16 (31)} See [footnote 2](#).

^{fn 17 (32)} See [footnote 3](#).

^{fn 18 (33)} See [footnote 4](#).

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Matters ^{fn 19 (34)}

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 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]. ^{fn 20 (35)} 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 are 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 re-

fn 19 (34) See [footnote 5](#).

fn 20 (35) See [footnote 6](#).

sponse was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.^{fn 21 (36)}

Report on Internal Control Over Compliance^{fn 22 (37)}

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 OMB Circular A-133, 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 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 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 were not identified. We identified certain deficiencies in internal control over compliance, as 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*], that we consider to be material weaknesses.

fn 21 (36) See [footnote 7](#).

fn 22 (37) See [footnote 8](#).

fn 24 (38) See [footnote 9](#).

Example Entity’s response to the internal control over compliance findings identified in our audit are 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.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose. ^{fn 24 (38)}

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133 ^{fn 25 (39)}
^{fn 26 (40)}

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 OMB Circular A-133 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 expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole. ^{fn 27 (41)}

[*Auditor’s signature*]

[*Auditor’s city and state*] ^{fn 28 (42)}

^{fn 24 (38)} See [footnote 9](#).

^{fn 25 (39)} See [footnote 10](#).

^{fn 26 (40)} See [footnote 11](#).

^{fn 27 (41)} See [footnote 12](#).

^{fn 28 (42)} See [footnote 13](#).

[*Date of the auditor's report*] ^{fn 29 (43)}

^{fn 29 (43)} See [footnote 14](#).