

# INTRODUCTION

## Objectives and Purpose

The objectives of this initial review are to (1) ensure that audit reports meet applicable reporting standards and Office of Management and Budget (OMB) Circular A-133 reporting requirements, (2) identify any follow-up audit work needed, (3) identify audits for potential quality control concerns, and (4) identify issues that may require additional attention. The purpose of this guide is to help ensure that the scope of the initial review is sufficient to fulfill these objectives and to document and ensure consistent reviews.

## Applicability and Use

This guide, intended for use in performing initial reviews of A-133 audit reports, is designed, to the extent possible, to be all that is necessary to support the results of the initial review. This guide addresses general A-133 reporting requirements; reviewers may supplement the guide, if necessary, to better meet the specific needs. The reviewer may refer to AICPA's Government Auditing Standards and Circular A-133 and OMB Circular A-133 for the complete listing of reporting requirements. It is anticipated that agencies may conduct reviews of less detailed reports for which they have general oversight responsibility. While this guide is not specifically for reviews of those reports, it may be used for such reports if desired.

## Description

The checklist provided in this guide is generally organized by reporting standards and elements of an audit. Questions 1 through 11 relate to a single audit. Questions 1 through 11, which should all be addressed, have been designed to show "Yes" or "N/A" (not applicable) answers as favorable responses. A "No" answer to questions 1 through 8 indicates an auditor deficiency, and a "No" answer to questions 9 through 11 indicates an auditee deficiency. All unfavorable responses must be fully explained and cross-referenced to the reporting package. (Favorable responses do not need to be cross-referenced.) It should be noted that unfavorable answers identify situations that could be undesirable but do not necessarily imply that the report is unacceptable. The reviewer must exercise professional judgment when answering the questions and reaching specific and overall conclusions on the quality of the report.

Questions 12 through 16 are optional for analysis of information contained in the reporting package and may require follow-up. For these questions, a "Yes" answer may indicate the need for follow-up.

## References

The references and checklist have been updated as of October 1, 2005, therefore reviewers should be conscious of any significant changes made after that date and make the necessary adjustments to the checklist. References are provided to enable the reviewer to refer to relevant standards and requirements. The reviewer should be familiar with the requirements and standards and have them available when performing the initial review. Below are abbreviations used to reference the requirements and standards:

- A-133        OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. (Revised to show changes published in the *Federal Register* as of June 27, 2003)
- AU            *Codification of Statements on Auditing Standards Numbers 1 to 101*, promulgated by the American Institute of Certified Public Accountants (AICPA).
- GAS          The financial audit standards contained in *Government Auditing Standards* (2007 Revision) published by the General Accounting Office (GAO).
- AAG-SLA     AICPA's *Government Auditing Standards and Circular A-133 Audits with Conforming Changes as of May 1, 2007* (previously AICPA's Statement of Position SOP 98-3)

Review Item	Yes	No	N/A	Ref.
<p><b>QUALIFICATIONS AND INDEPENDENCE</b></p> <p>1. Is the report free of indications that the auditor is not independent or is not qualified to perform the audit? <i>[If a question arises concerning the licensing of a public accountant, State licensing authorities should be able to provide the necessary information.]</i> (AU 210.01-.05, 220.01-.07; GAS 3.02-3.30)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p><b>REPORTING</b></p> <p>The reporting section of this guide is organized in accordance with the recommended reporting format contained in AAG-SLA. Other reporting formats containing the required elements are acceptable. Reports may be combined or separated.</p>				
<p><b>Opinion on the Financial Statements and Schedule of Expenditures of Federal Awards</b></p>				
<p>2. Do the general-purpose financial statements reflect the financial position, results of operations or changes in net assets, and, where appropriate, the cash flows of the entity for the fiscal year audited, or were the auditor's reports appropriately modified? (A-133 .310(a); AAG-SLA 6.08)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>3. Does the opinion on the financial statements contain the required elements? The AAG-SLA contains the following provisions: (AU 508.08, 551.06, 623.05; A-133 .505(a); AAG-SLA 4.21)</p>				
<p>a. A statement that the financial statements identified in the opinion were audited. (AU 508.08b; AAG-SLA 4.21b)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>b. A statement that the audit was conducted in accordance with generally accepted auditing standards and with applicable GAS. (AU 508.08d; GAS 5.05; AAG-SLA 4.21)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>c. If the financial statements are intended to be presented in accordance with another comprehensive basis of accounting, the opinion should include a paragraph that states the basis of presentation and refers to the note to the financial statements that describes the basis. (AU 623.05d(1); AAG-SLA 6.09)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Review Item	Yes	No	N/A	Ref.
d. An opinion (or disclaimer of opinion) on the financial statements. (AU 508.08h; AAG-SLA 4.21h)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
e. A reference to the separate report on internal control over financial reporting and compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matter prepared in accordance to GAS. (GAS 5.08; AAG-SLA 4.21i)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
f. The reference to the report should include a statement that the report is an integral part of an audit performed in accordance with GAS and should be considered in assessing the results of the audit. (GAS 5.09; AAG-SLA 4.21i)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
g. A description of the accompanying supplementary information (Schedule of Expenditures of Federal Awards). (AU 551.06b; A-133 .505a; AAG-SLA 12.12a)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
h. An opinion on whether the accompanying supplementary information is fairly stated, in all material respects, in relation to the financial statements taken as a whole. (AU 551.06d; A-133 .505a; AAG-SLA 12.12c)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
i. A schedule of state receipts and expenditures? (WV Code of State Rules §148-18-4.2)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
j. An auditor's opinion on whether the schedule of state receipts and expenditures is stated fairly in relation to the financial statements as a whole. (WV Code of State Rules §148-18-4.2)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
k. The manual or printed signature of the auditor's firm. (AU 508.08i; AAG-SLA 4.21j)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
l. Date of the audit report. (AU 508.08j; AAG-SLA 4.21k)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Report on Internal Control over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with GAS</b>  4. Do(es) the report(s) on compliance and internal control over financial reporting contain the required elements? The AAG-SLA contains the following provisions: (A-133 .505; AAG-SLA 4.26)				

Review Item	Yes	No	N/A	Ref.
a. A statement that the audit was conducted in accordance with generally accepted auditing standards and with applicable GAS. (GAS 5.05; AAG-SLA 4.26b)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b. A statement that in planning and performing the audit, the auditor considered the auditee's internal control over financial reporting. (AAG-SLA 4.26c)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
c. If significant deficiencies were noted, a description of the significant deficiency(s) or a reference to the schedule of findings and questioned costs and a statement about whether the auditor believes any of the significant deficiencies described in the report are material weaknesses and, if so, identifies which one(s). (AAG-SLA 4.26d, f, and h)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
d. If no significant deficiencies were noted, a statement that the auditor's consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses and a statement that no material weaknesses were noted. (AAG-SLA 4.26e and h)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
e. A statement that, as part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, the auditor performed tests of compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which would have a direct and material effect on the determination of financial statement amounts. (AAG-SLA 4.26i)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
f. A statement that notes whether the results of tests disclosed instances of noncompliance that are required to be reported under GAS and, if they are, describes the instances of noncompliance or refers to the schedule of findings and questioned costs. (AAG-SLA 4.26k)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
g. The manual or printed signature of the auditor's firm. (AAG-SLA 4.26n)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
h. The date of the report. (AAG-SLA 4.26o)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with Circular A-133</b>				

Review Item	Yes	No	N/A	Ref.
5. Do(es) the report(s) on compliance and internal control contain the required elements? The AAG-SLA contains the following provisions: (A-133 .505; AAG-SLA 12.23)				
a. A statement that the auditor has audited the compliance of the auditee with the types of compliance requirements described in the <i>OMB Circular A-133 Compliance Supplement</i> that is applicable to each of its major programs. (AAG-SLA 12.23a)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
b. A statement that the audit was conducted in accordance with generally accepted auditing standards, applicable GAS, and A-133. (AAG-SLA 12.23d)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
c. If instances of noncompliance are noted that result in an opinion modification, a reference to a description of the related findings in the accompanying schedule of findings and questioned costs, including reference number(s) of the finding(s), identification of the type(s) of compliance requirements, and the related major program(s). (AAG-SLA 12.23i)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
d. An opinion (or disclaimer of opinion) on whether the auditee complied, in all material respects, with the types of compliance requirements that apply to each of its major programs. (AAG-SLA 12.23j)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
e. If applicable, a statement that instances of noncompliance that are required to be reported in accordance with A-133 were disclosed. If so, reference to the schedule of findings and questioned costs in which they are described is required. (AAG-SLA 12.23k)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
f. A statement that in planning and performing the audit, the auditor considered the auditee's internal control over compliance with requirements that could have a direct and material effect on a major Federal program, to determine the auditing procedures for expressing an opinion on compliance and to test and report on the internal control over compliance in accordance with A-133. (AAG-SLA 12.23m)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
g. If applicable, a reference to a description of significant deficiencies noted in the accompanying schedule of findings and questioned costs, including the reference number of the finding(s). (AAG-SLA 12.23o)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Review Item	Yes	No	N/A	Ref.
<p>h. If there are significant deficiencies, a statement about whether the auditor believes any of the significant deficiencies noted are material weaknesses and, if they are, a reference to a description of the material weakness. If there are no significant deficiencies, a statement that no material weaknesses were noted. (AAG-SLA 12.23r)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>i. The manual or printed signature of the auditor's firm. (AAG-SLA 12.23t)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>j. The date of the report. (AAG-SLA 12.23u)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>Schedule of Findings and Questioned Costs</b>				
<p>6. Does the schedule of findings and questioned costs include a summary of audit results section containing the following elements: (A-133 .505(d); AAG-SLA 12.32)</p>				
<p>a. Identification of the auditee's major programs? (A-133 .505(d)(vii); AAG-SLA 12.32a)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>b. Dollar threshold used to distinguish between type A and B programs? (A-133 .505(d)(viii); AAG-SLA 12.32a )</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>c. Whether the auditee qualified as a low-risk auditee? (A-133 .505(d)(ix); AAG-SLA 12.32a)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>7. Are the Federal findings presented in sufficient detail? Consider whether the reported deficiency provides the following information: (A-133 .510(b); AAG-SLA 12.37-.38)</p>				
<p>a. Federal program and specific Federal award identification, including the Catalog of Federal Domestic Assistance (CFDA) title and number, Federal award number and year, name of Federal agency, and name of applicable pass-through entity. When information such as the CFDA title and number or Federal award number is not available, the auditor should provide the best information available to describe the Federal award. (A-133 .510(b)(1); AAG-SLA 12.37a)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<p>b. The criteria or specific requirement upon which the audit finding is based, including the statutory, regulatory, or other citation. (A-133 .510(b)(2); AAG-SLA 12.37b)</p>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

Review Item	Yes	No	N/A	Ref.
c. The condition found, including facts that support the deficiency identified in the audit finding. (A-133 .510(b)(3); AAG-SLA 12.37c)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
d. Identification of questioned costs and how they were computed. (A-133 .510(b)(4); AAG-SLA 12.37d)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
e. Information to provide proper perspective for judging the prevalence and consequences of the audit findings, such as whether the findings represent an isolated instance or a systemic problem. Where appropriate, instances identified should be related to the universe and the number of cases examined and be quantified in terms of dollar value. (A-133 .510(b)(5); AAG-SLA 12.37e)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
f. The possible asserted effect to provide sufficient information to the auditee and Federal agency, or pass-through entity in the case of a subrecipient, to permit them to determine the cause and effect to facilitate prompt and proper corrective action. (A-133 .510(b)(6); AAG-SLA 12.37f)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
g. Recommendations to prevent future occurrences of the deficiency identified in the audit finding. (A-133 .510(b)(7); AAG-SLA 12.37g)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
h. Views of responsible officials of the auditee when there is a disagreement with the audit findings, to the extent practical. <i>[Note: The auditor may reference the entity's corrective action plan to describe the views of responsible officials. If those views oppose the auditor's findings, the auditor should state the reasons for rejecting those views.]</i> (A-133 .510(b)(8); AAG-SLA 12.38; GAS 5.37)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
i. A reference number for each finding. (A-133 .510(c); AAG-SLA 12.39)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
8. If the reviewer is aware of any reportable instances of noncompliance or internal control significant deficiencies, were these instances disclosed? If not, the report should not be accepted until it is amended. <i>[Note: The reviewer may satisfy this question by considering documents such as the management letter, the financial statements, or other information.]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	



Review Item	Yes	No	N/A	Ref.
11. Are all programs known by the reviewer to have been administered by the auditee and those identified elsewhere in the report included in the schedule? <i>[Note: This question is intended to be answered based on the reviewer's prior knowledge and the review of the report. It is not intended that the reviewer conduct research to determine what grants the entity received.]</i>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
<b>OTHER</b>  Questions 12 through 16 are optional for analysis of information contained in the audit report and may require follow-up. The questions have been designed to indicate that a “Yes” answer possibly requires follow-up.				
12. Do the reports indicate the existence of a separate management letter? (GAS 5.16; AAG-SLA 4.35) If "yes," consider obtaining a copy. (A-133 .320(f))	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
13. Do the notes indicate any deficiency that negatively affects Federal awards or that should be reported to Federal officials? (If “Yes,” explain below.)	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
14. Are any of the opinions other than unqualified? Evaluate to determine the possible effect on Federal programs and if further actions are required.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
15. Does the summary schedule of prior audit findings indicate any issues affecting the current period that need to be brought to the attention of program managers?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
16. Does the report contain indications of fraudulent or illegal acts of a criminal nature or other sensitive matters affecting Federal awards?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

