

## Appendix – Illustrative Auditor's Reports Under the Uniform Guidance

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

The illustrative reports provided are as follows:

Examples 13-1 through 13-6 include the following: Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance. Additionally, an illustrative Schedule of Findings and Questioned Costs is included in example 13-8; and an illustrative stand-alone opinion on the Schedule of Expenditures of Federal Awards is included in example 13-9.

The descriptions in the following table indicate the type of opinion(s) and whether material weaknesses and/or significant deficiencies are reported.

NOTE: The illustrative reports included here represent a sampling of the report examples included in chapter 13 of the latest edition of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*. Purchase the 2023 edition to access the full set of examples.

Example No.	Title
13-1	Unmodified Opinion on Compliance for Each Major Federal Program; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified
13-2	Unmodified Opinion on Compliance for Each Major Federal Program; Significant Deficiencies in Internal Control Over Compliance Identified
13-3	Unmodified Opinion on Compliance for Each Major Federal Program; Material Weaknesses in Internal Control Over Compliance Identified; No Significant Deficiencies in Internal Control Over Compliance Identified
13-4	Qualified Opinion on Compliance for One Major Federal Program; Unmodified Opinion on Compliance on Each of the Other Major Federal Programs; Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance Identified
13-5	Qualified Opinion on Compliance – Scope Limitation for One Major Federal Program; Unmodified Opinion on Compliance on Each of the Other Major Federal Programs; Significant Deficiencies in Internal Control Over Compliance Identified
13-6	Adverse Opinion on Compliance for One Major Federal Program; Unmodified Opinion on Compliance on Each of the Other Major Federal Programs; Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance Identified
13-7	Disclaimer of Opinion on Compliance for One Major Federal Program; Qualified Opinion on Compliance for One Major Federal Program; Unmodified Opinion on Compliance on Each of the Other Major Federal Programs; Material Weaknesses and Significant Deficiencies in Internal Control Over Compliance Identified
13-8	Schedule of Findings and Questioned Costs
13-9	Unmodified Opinion 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</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<sup>1</sup>**

***(Unmodified Opinion on Compliance for Each Major Federal Program; No Material Weaknesses or Significant Deficiencies in Internal Control Over Compliance Identified)<sup>2</sup>***

### Independent Auditor's Report

[Appropriate Addressee]

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited Example Entity's compliance with the types of compliance requirements<sup>3</sup> identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Example Entity's major federal programs for the year ended June 30, 20X1. Example Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

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

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*<sup>4</sup> issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of

<sup>1</sup>If the in-relation-to reporting on the schedule of expenditures of federal awards is included in the report on the financial statements or in a separate report, this section would be omitted, and the title of the report would be modified as follows:

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

<sup>2</sup>Examples 13-1–13-7 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.

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

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Example Entity's compliance with the compliance requirements referred to above.<sup>5</sup>

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

<sup>4</sup>The standards and guidance applicable to financial audits are found in chapters 1–6 of *Government Auditing Standards*.

<sup>5</sup>If the audit of federal awards does not encompass the entirety of the auditee's operations expending federal awards, the operations that are not included may be identified in a separate section with the heading "Other Matter – Federal Expenditures Not Included in the Compliance Audit" preceding the "Responsibilities of Management for Compliance" section. An example of such a paragraph follows:

#### ***Other Matter – Federal Expenditures Not Included in the Compliance Audit***

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

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

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

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

### ***Other Matters***<sup>6</sup>

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].<sup>7</sup> Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Example Entity's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.<sup>8,9,10</sup>

### **Report on Internal Control Over Compliance**<sup>11</sup>

<sup>6</sup>When there are no findings that are required to be reported, this *Other Matters* section of the report would be omitted.

<sup>7</sup>The auditor may also consider adding a table to this section of the report, similar to the illustration provided in footnote 64, to more clearly communicate the other findings that are being reported and the programs and requirements to which they relate.

<sup>8</sup>Although not required, the auditor may include this paragraph to clarify that the auditor is not providing an opinion on Example Entity's response. See paragraph .A38 of AU-C section 935A, *Compliance Audits* (paragraph .A40 of AU-C section 935, *Compliance Audits*). Some paragraphs of AU-C section 935 were renumbered upon issuance of SAS No. 148, *Amendment to AU-C Section 935*, issued in August 2022. The relevant paragraph changes are effective for compliance audits for fiscal periods ending on or after December 15, 2023, consistent with the effective date of SAS No. 145. Early implementation of SAS No. 148 is permitted. Because SAS

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.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.<sup>12</sup>

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No. 148 amends AU-C section 935 to reflect the issuance of SAS No. 145, early implementation of SAS No. 148 is expected to occur in conjunction with early implementation of SAS No. 145 for compliance audits.

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

<sup>9</sup>Although the auditor does not audit Example Entity's response to identified findings, the auditor does have certain responsibilities related to reporting views of responsible officials under *Government Auditing Standards*. See paragraphs 6.57–6.60 of *Government Auditing Standards* for guidance when the audited entity's comments are inconsistent with the auditor's findings, conclusions, or recommendations. See paragraph 13.44 for additional information.

<sup>10</sup>There is nothing to preclude an auditor from including an additional disclaimer paragraph related to the corrective action plan to clarify that the auditor is not providing an opinion on the corrective action plan. See the note at paragraph 13.51 for additional information. An example of wording the auditor may use follows:

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

<sup>11</sup>Examples 13-1–13-7 illustrate combined reports that also include reporting on internal control over compliance. If an auditor prefers to issue a separate report on internal control over compliance, this section would be omitted from the report. AU-C section 935A includes required elements for separate reporting on internal control over compliance.

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance<sup>13,14</sup>

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

<sup>12</sup>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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

<sup>13</sup>The wording of this report is based on AU-C section 725, *Supplementary Information in Relation to the Financial Statements as a Whole*.

<sup>14</sup>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 13-1–13-7 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.

<sup>15</sup>The wording of this report on the schedule of expenditures of federal awards refers to the financial statements of a nongovernmental entity. For governmental entities, the wording should be revised to appropriately reflect the reporting structure and opinion units identified in the opinion section of the auditor's report on the financial statements. For example, the wording could be replaced with the following:

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Example Entity as of and for the year ended June 30, 20X1, and the related notes to the financial statements, which collectively comprise Example Entity's basic financial statements. We issued our report thereon, dated August 15, 20X1, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the

[Signature of the auditor's firm]

[City and state where auditor's report is issued]<sup>16</sup>

[Date of the auditor's report]<sup>17</sup>

## **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)***<sup>18</sup>

### Independent Auditor's Report

[Appropriate Addressee]

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

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

<sup>16</sup>Technical Questions and Answers (Q&A) section 9100.07, "Naming the City and State Where the Auditor Practices," addresses situations where the firm's letterhead includes the city and state.

Q&A sections are an *other auditing publication*. Readers should refer to the preface for further guidance in assessing the relevance and appropriateness of an other auditing publication.

All Q&A sections can be found in *Technical Questions and Answers*. Log in to the AICPA website to download the full text of the publication at <https://www.aicpa-cima.com/resources/download/aicpa-technical-questions-and-answers-at-your-fingertips>. The publication is fully searchable with bookmarking that allows users to navigate directly to a desired section.

<sup>17</sup>As noted in footnote 13, examples 13-1–13-7 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]

<sup>18</sup>See footnote 2.



We have audited Example Entity’s compliance with the types of compliance requirements<sup>19</sup> identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Example Entity’s major federal programs for the year ended June 30, 20X1. Example Entity’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*<sup>20</sup> issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Example Entity’s compliance with the compliance requirements referred to above.<sup>21</sup>

### ***Responsibilities of Management for Compliance***

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

### ***Auditor’s Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Example Entity’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions,

<sup>19</sup>See footnote 3.

<sup>20</sup>See footnote 4.

<sup>21</sup>See footnote 5.

misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Example Entity's compliance with the requirements of each major federal program as a whole.

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

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

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

### ***Other Matters***<sup>22</sup>

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*].<sup>23</sup> Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Example Entity's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.<sup>24,25,26</sup>

<sup>22</sup>See footnote 6.

<sup>23</sup>See footnote 7.

<sup>24</sup>See footnote 8.

<sup>25</sup>See footnote 9.

<sup>26</sup>See footnote 10.

## Report on Internal Control Over Compliance<sup>27</sup>

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

*A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 20X1-003, 20X1-004, and 20X1-005],<sup>28</sup> to be significant deficiencies.*

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

*Government Auditing Standards* requires the auditor to perform limited procedures on Example Entity's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.<sup>29,30,31</sup>

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.<sup>32</sup>

<sup>27</sup>See footnote 11.

<sup>28</sup>The auditor may also consider adding a table to this section of the report, similar to the illustration provided in footnote 64, to more clearly communicate any material weaknesses or significant deficiencies that were identified and the programs and requirements to which they relate.

<sup>29</sup>See footnote 8.

<sup>30</sup>See footnote 9.

<sup>31</sup>See footnote 10.

<sup>32</sup>See footnote 12.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**<sup>33,34</sup>

We have audited the financial statements of Example Entity as of and for the year ended June 30, 20X1, and have issued our report thereon dated August 15, 20X1 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.<sup>35</sup>

*[Signature of the auditor's firm]*

*[City and state where auditor's report is issued]*<sup>36</sup>

*[Date of the auditor's report]*<sup>37</sup>

### **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)***<sup>38</sup>

#### Independent Auditor's Report

*[Appropriate Addressee]*

#### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

<sup>33</sup>See footnote 13.

<sup>34</sup>See footnote 14.

<sup>35</sup>See footnote 15.

<sup>36</sup>See footnote 16.

<sup>37</sup>See footnote 17.

<sup>38</sup>See footnote 2.

We have audited Example Entity’s compliance with the types of compliance requirements<sup>39</sup> identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Example Entity’s major federal programs for the year ended June 30, 20X1. Example Entity’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

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

### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*<sup>40</sup> issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Example Entity’s compliance with the compliance requirements referred to above.<sup>41</sup>

### ***Responsibilities of Management for Compliance***

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

### ***Auditor’s Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Example Entity’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions,

<sup>39</sup>See footnote 3.

<sup>40</sup>See footnote 4.

<sup>41</sup>See footnote 5.

misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Example Entity's compliance with the requirements of each major federal program as a whole.

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

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

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

### ***Other Matters***<sup>42</sup>

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*].<sup>43</sup> Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Example Entity's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.<sup>44,45,46</sup>

<sup>42</sup>See footnote 6.

<sup>43</sup>See footnote 7.

<sup>44</sup>See footnote 8.

<sup>45</sup>See footnote 9.

<sup>46</sup>See footnote 10.

## Report on Internal Control Over Compliance<sup>47</sup>

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example 20X1-003, 20X1-004, and 20X1-005]<sup>48</sup> to be material weaknesses.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on Example Entity's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.<sup>49,50,51</sup>

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.<sup>52</sup>

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance<sup>53,54</sup>

<sup>47</sup>See footnote 11.

<sup>48</sup>See footnote 28.

<sup>49</sup>See footnote 8.

<sup>50</sup>See footnote 9.

<sup>51</sup>See footnote 10.

<sup>52</sup>See footnote 12.

We have audited the financial statements of Example Entity as of and for the year ended June 30, 20X1, and have issued our report thereon dated August 15, 20X1 which contained an unmodified opinion on those financial statements. Our audit was performed for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.<sup>55</sup>

[Signature of the auditor's firm]

[City and state where auditor's report is issued]<sup>56</sup>

[Date of the auditor's report]<sup>57</sup>

**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)*<sup>58</sup>

Independent Auditor's Report

[Appropriate Addressee]

**Report on Compliance for Each Major Federal Program**

*Qualified and Unmodified Opinions*

We have audited Example Entity's compliance with the types of compliance requirements<sup>59</sup> identified as subject to audit in the OMB *Compliance Supplement* that could have a direct

<sup>53</sup>See footnote 13.

<sup>54</sup>See footnote 14.

<sup>55</sup>See footnote 15.

<sup>56</sup>See footnote 16.

<sup>57</sup>See footnote 17.

<sup>58</sup>See footnote 2.



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

*Qualified Opinion on [Identify Major Federal Program]<sup>60</sup>*

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

*Unmodified Opinion on Each of the Other Major Federal Programs<sup>61</sup>*

In our opinion, Example Entity complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 20X1.

***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*<sup>62</sup> issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of Example Entity's compliance with the compliance requirements referred to above.<sup>63</sup>

*Matter(s) Giving Rise to Qualified Opinion on [Identify Major Federal Program]<sup>64</sup>*

<sup>59</sup>See footnote 3.

<sup>60</sup>The heading to this section illustrates identifying the specific major federal programs being referred to in each heading.

<sup>61</sup>There is nothing to preclude an auditor from including the name(s) of the federal programs for which the auditor is providing an unmodified opinion in this heading or in the opinion section itself. This example illustrates referencing the other major federal programs more generally in the unmodified opinion section, along with a reference to the summary of auditor's results section of the schedule of findings and questioned costs where the other major federal programs are specifically identified.

<sup>62</sup>See footnote 4.

<sup>63</sup>See footnote 5.

<sup>64</sup>The auditor may also consider adding a table to more clearly communicate the basis for the qualified opinion such as the following:

As described in the accompanying schedule of findings and questioned costs, Example Entity did not comply with requirements regarding [identify the major federal program and associated finding number(s) matched to the type(s) of compliance requirements; for example, the Head Start Cluster as described in finding numbers 20X1-001 for Equipment and Real Property Management and 20X1-002 for Reporting].

Compliance with such requirements is necessary, in our opinion, for Example Entity to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

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

***Auditor’s Responsibilities for the Audit of Compliance***

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such

As described in Findings 20X1-001 and 20X1-002 in the accompanying schedule of findings and questioned costs, Example Entity did not comply with the requirements regarding the following:

Finding #	Assistance Listing #	Program (or Cluster) Name	Compliance Requirement
20X1-001	93 600/93 356	Head Start Cluster	Equipment and Real Property Management
20X1-002	93 600/93 356	Head Start Cluster	Reporting

Compliance with such requirements is necessary, in our opinion, for Example Entity to comply with the requirements applicable to that program.

procedures include examining, on a test basis, evidence regarding Example Entity's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

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

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

### ***Other Matters***<sup>65</sup>

The results of our auditing procedures disclosed other 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, 20X1-003 and 20X1-004*].<sup>66</sup> Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Example Entity's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.<sup>67,68,69</sup>

### **Report on Internal Control Over Compliance**<sup>70</sup>

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

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

<sup>65</sup>See footnote 6.

<sup>66</sup>See footnote 7.

<sup>67</sup>See footnote 8.

<sup>68</sup>See footnote 9.

<sup>69</sup>See footnote 10.

<sup>70</sup>See footnote 11.

with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example 20X1-005 and 20X1-006]<sup>71</sup> to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example 20X1-007 and 20X1-008]<sup>72</sup> to be significant deficiencies.

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

*Government Auditing Standards* requires the auditor to perform limited procedures on Example Entity's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.<sup>73,74,75</sup>

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.<sup>76</sup>

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance<sup>77,78</sup>**

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

<sup>71</sup>See footnote 28.

<sup>72</sup>See footnote 28.

<sup>73</sup>See footnote 8.

<sup>74</sup>See footnote 9.

<sup>75</sup>See footnote 10.

<sup>76</sup>See footnote 12.

<sup>77</sup>See footnote 13.

<sup>78</sup>See footnote 14.

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.<sup>79</sup>

[Signature of the auditor's firm]

[City and state where auditor's report is issued]<sup>80</sup>

[Date of the auditor's report]<sup>81</sup>

**Example 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**

*(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)<sup>82</sup>*

Independent Auditor's Report

[Appropriate Addressee]

**Report on Compliance for Each Major Federal Program**

***Qualified and Unmodified Opinions***

We have audited Example Entity's compliance with the types of compliance requirements<sup>83</sup> identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Example Entity's major federal programs for the year ended June 30, 20X1. Example Entity's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

*Qualified Opinion on [Identify Major Federal Program]<sup>84</sup>*

In our opinion, except for the possible effects of the matter described in the Basis for Qualified and Unmodified Opinions section of our report, Example Entity complied, in all

<sup>79</sup>See footnote 15.

<sup>80</sup>See footnote 16.

<sup>81</sup>See footnote 17.

<sup>82</sup>See footnote 2.

<sup>83</sup>See footnote 3.

<sup>84</sup>See footnote 60.

material respects, with the compliance requirements referred to above that could have a direct and material effect on *[identify the major federal program]* for the year ended June 30, 20X1.

*Unmodified Opinion on Each of the Other Major Federal Programs*<sup>85</sup>

In our opinion, Example Entity complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 20X1.

***Basis for Qualified and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*<sup>86</sup> issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of Example Entity’s compliance with the compliance requirements referred to above.<sup>87</sup>

*Matter(s) Giving Rise to Qualified Opinion on [Identify Major Federal Program]*<sup>88</sup>

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate audit evidence supporting the compliance of Example Entity with *[identify the major federal program and associated finding number(s) matched to the*

<sup>85</sup>See footnote 61.

<sup>86</sup>See footnote 4.

<sup>87</sup>See footnote 5.

<sup>88</sup>The auditor may also consider adding a table to more clearly communicate the basis for the qualified opinion such as the following:

As described in Findings 20X1-001 and 20X1-002 in the accompanying schedule of findings and questioned costs, we were unable to obtain sufficient appropriate evidence supporting the compliance of Example Entity with the following:

Finding #	Assistance Listing #	Program (or Cluster) Name	Compliance Requirement
20X1-001	93 600/93 356	Head Start Cluster	Equipment and Real Property Management
20X1-002	93 600/93 356	Head Start Cluster	Reporting

Consequently, we were unable to determine whether Example Entity complied with those requirements applicable to that program.

*type(s) of compliance requirements; for example, Assistance Listing No. 93.600/93.356 Head Start Cluster as described in finding numbers 20X1-001 for Equipment and Real Property Management and 20X1-002 for Reporting], consequently we were unable to determine whether Example Entity complied with those requirements applicable to that program.*

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies

and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***<sup>89</sup>

The results of our auditing procedures disclosed other 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, 20X1-003 and 20X1-004*].<sup>90</sup> Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Example Entity's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.<sup>91,92,93</sup>

### **Report on Internal Control Over Compliance**<sup>94</sup>

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example 20X1-005, 20X1-006, and 20X1-07*]<sup>95</sup> to be significant deficiencies.

<sup>89</sup>See footnote 6.

<sup>90</sup>See footnote 7.

<sup>91</sup>See footnote 8.

<sup>92</sup>See footnote 9.

<sup>93</sup>See footnote 10.

<sup>94</sup>See footnote 11.



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

*Government Auditing Standards* requires the auditor to perform limited procedures on Example Entity's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.<sup>96,97,98</sup>

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.<sup>99</sup>

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**<sup>100,101</sup>

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.<sup>102</sup>

*[Signature of the auditor's firm]*

*[City and state where auditor's report is issued]*<sup>103</sup>

*[Date of the auditor's report]*<sup>104</sup>

<sup>95</sup>See footnote 28.

<sup>96</sup>See footnote 8.

<sup>97</sup>See footnote 9.

<sup>98</sup>See footnote 10.

<sup>99</sup>See footnote 12.

<sup>100</sup>See footnote 13.

<sup>101</sup>See footnote 14.

<sup>102</sup>See footnote 15.

<sup>103</sup>See footnote 16.

<sup>104</sup>See footnote 17.

**Example 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**

*(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)<sup>105</sup>*

Independent Auditor's Report

[Appropriate Addressee]

**Report on Compliance for Each Major Federal Program**

*Adverse and Unmodified Opinions*

We have audited Example Entity’s compliance with the types of compliance requirements<sup>106</sup> identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Example Entity’s major federal programs for the year ended June 30, 20X1. Example Entity’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.<sup>107</sup>

*Adverse Opinion on [Identify Major Federal Program]<sup>108</sup>*

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, Example Entity did not comply in all material respects, with the compliance requirements referred to above that could have a direct and material effect on [identify the major federal program] for the year ended June 30, 20X1.

*Unmodified Opinion on Each of the Other Major Federal Programs<sup>109</sup>*

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

<sup>105</sup>See footnote 2.

<sup>106</sup>See footnote 3.

<sup>107</sup>The auditor may consider adding a summary table with a heading before the individual opinions. Below is an example of such a table.

Summary of Opinions

Major Federal Program	Type of Opinion
[Name of major federal program]	Qualified
[Name of major federal program]	Unmodified
[Name of major federal program]	Unmodified
[Name of major federal program]	Unmodified

<sup>108</sup>See footnote 60.

<sup>109</sup>See footnote 61.

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

***Basis for Adverse and Unmodified Opinions***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*<sup>110</sup> issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor’s Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of Example Entity’s compliance with the compliance requirements referred to above.<sup>111</sup>

*Matter(s) Giving Rise to Adverse Opinion on [Identify Major Federal Program]*<sup>112</sup>

As described in the accompanying schedule of findings and questioned costs, Example Entity did not comply with requirements regarding *[identify the major federal program and associated finding number(s) matched to the type(s) of compliance requirements; for example, Assistance Listing No. 93.600/93.356 Head Start Cluster as described in finding numbers 20X1-001 for Equipment and Real Property Management and 20X1-002 for Reporting]*. Compliance with such requirements is necessary, in our opinion, for Example Entity to comply with the requirements applicable to that program.

***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance

<sup>110</sup>See footnote 4.

<sup>111</sup>See footnote 5.

<sup>112</sup>The auditor may also consider adding a table to more clearly communicate the basis for the adverse opinion such as the following:

As described in Findings 20X1-001 and 20X1-002 in the accompanying schedule of findings and questioned costs, Example Entity did not comply with the requirements regarding the following:

Finding #	Assistance Listing #	Program (or Cluster) Name	Compliance Requirement
20X1-001	93 600/93 356	Head Start Cluster	Equipment and Real Property Management
20X1-002	93 600/93 356	Head Start Cluster	Reporting

Compliance with such requirements is necessary, in our opinion, for Example Entity to comply with the requirements applicable to that program.

with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to Example Entity's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### ***Other Matters***<sup>113</sup>

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described

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<sup>113</sup>See footnote 6.

in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example, 20X1-003 and 20X1-004*].<sup>114</sup> Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Example Entity's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.<sup>115,116,117</sup>

### **Report on Internal Control Over Compliance**<sup>118</sup>

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

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example 20X1-005 and 20X1-006*]<sup>119</sup> to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example 20X1-007 and 20X1-008*]<sup>120</sup> to be significant deficiencies.

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

<sup>114</sup>See footnote 7.

<sup>115</sup>See footnote 8.

<sup>116</sup>See footnote 9.

<sup>117</sup>See footnote 10.

<sup>118</sup>See footnote 11.

<sup>119</sup>See footnote 28.

<sup>120</sup>See footnote 28.

*Government Auditing Standards* requires the auditor to perform limited procedures on Example Entity's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.<sup>121,122,123</sup>

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.<sup>124</sup>

### **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**<sup>125,126</sup>

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.<sup>127</sup>

*[Signature of the auditor's firm]*

*[City and state where auditor's report is issued]*<sup>128</sup>

*[Date of the auditor's report]*<sup>129</sup>

<sup>121</sup>See footnote 8.

<sup>122</sup>See footnote 9.

<sup>123</sup>See footnote 10.

<sup>124</sup>See footnote 12.

<sup>125</sup>See footnote 13.

<sup>126</sup>See footnote 14.

<sup>127</sup>See footnote 15.

<sup>128</sup>See footnote 16.

<sup>129</sup>See footnote 17.

## Example 13-7: 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

*(Disclaimer of Opinion on Compliance for One Major Federal Program; 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)<sup>130</sup>*

### Independent Auditor's Report

[Appropriate Addressee]

### Report on Compliance for Each Major Federal Program

#### *Qualified, Unmodified, and Disclaimer of Opinions*

We have audited Example Entity's compliance with the types of compliance requirements<sup>131</sup> identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Example Entity's Major Federal Programs A, B, D, E, and F, for the year ended June 30, 20X1; and we were engaged to audit Example Entity's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Major Federal Program C, for the year ended June 30, 20X1. Example Entity's major federal programs are identified in the Summary of Opinions section of our report.

#### Summary of Opinions

Major Federal Program	Type of Opinion
Major Federal Program A	Unmodified
Major Federal Program B	Unmodified
Major Federal Program C	Disclaimer
Major Federal Program D	Unmodified
Major Federal Program E	Unmodified
Major Federal Program F	Qualified

#### *Disclaimer of Opinion on Major Federal Program C<sup>132</sup>*

We do not express an opinion on Example Entity's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on Major Federal Program C. Because of the significance of the matter described in the Basis for Disclaimer of Opinion on Major Federal Program C section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance with the types of compliance

<sup>130</sup>See footnote 2.

<sup>131</sup>See footnote 3.

<sup>132</sup>See footnote 60.

requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on Major Federal Program C.

#### *Qualified Opinion on Major Federal Program F*

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

#### *Unmodified Opinion on Major Programs A, B, D, and E*<sup>133</sup>

In our opinion, Example Entity complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on Major Programs A, B, D, and E for the year ended June 30, 20X1.

#### *Basis for Disclaimer of Opinion on Major Program C*

As described in the accompanying schedule of findings and questioned costs, we were unable to obtain audit evidence supporting the Entity's compliance with the [identify compliance requirements] applicable to the Major Federal Program C as described in finding numbers 20XX-09 and 20XX-10.<sup>134</sup> As a result of these matters, we were unable to determine whether the Entity complied with the requirements applicable to Major Federal Program C.

#### *Basis for Qualified and Unmodified Opinions*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*<sup>135</sup> issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of Example Entity's compliance with the compliance requirements referred to above.<sup>136</sup>

#### *Matter(s) Giving Rise to Qualified Opinion on Major Program F*<sup>137</sup>

<sup>133</sup>See footnote 61.

<sup>134</sup>Based on the guidance in paragraphs .25 and .28 of AU-C section 705, *Modifications to the Opinion in the Independent Auditor's Report*, the "Basis for Opinion" section should include reason(s) for the inability to obtain sufficient appropriate audit evidence when the auditor disclaims an opinion as well as a description of any other matters, of which the auditor is aware, that would have required a modification to the opinion.

<sup>135</sup>See footnote 4.

<sup>136</sup>See footnote 5.



As described in the accompanying schedule of findings and questioned costs, Example Entity did not comply with requirements regarding [identify the major federal program and associated finding number(s) matched to the type(s) of compliance requirements; for example, Assistance Listing No. 93.600/93.356 Head Start Cluster as described in finding numbers 20X1-001 for Equipment and Real Property Management and 20X1-002 for Reporting]. Compliance with such requirements is necessary, in our opinion, for Example Entity to comply with the requirements applicable to that program.

### ***Responsibilities of Management for Compliance***

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

### ***Auditor's Responsibilities for the Audit of Compliance***

#### *Auditor's Responsibilities for the Audit of Compliance for Major Federal Program C*

Our responsibility is to conduct an audit of compliance in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance and to issue an auditor's report. However, because of the matter described in the Basis for Disclaimer of Opinion on Major Federal Program C section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on compliance.

We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit.

#### *Auditor's Responsibilities for the Audit of Compliance for Major Federal Programs A, B, D, E, and F*

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

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<sup>137</sup>The auditor may also consider adding a table to this section of the report, similar to the illustration provided in footnote 64, to more clearly communicate any material weaknesses or significant deficiencies that were identified and the programs and requirements to which they relate.

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

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

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

#### ***Other Matters***<sup>138</sup>

The results of our auditing procedures disclosed other 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, 20X1-003 and 20X1-004].<sup>139</sup> Our opinion on each major federal program is not modified with respect to these matters.

*Government Auditing Standards* requires the auditor to perform limited procedures on Example Entity's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.<sup>140,141,142</sup>

#### **Report on Internal Control Over Compliance**<sup>143</sup>

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be

<sup>138</sup>See footnote 6.

<sup>139</sup>See footnote 7.

<sup>140</sup>See footnote 8.

<sup>141</sup>See footnote 9.

<sup>142</sup>See footnote 10.

<sup>143</sup>See footnote 11.

material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example 20X1-005 and 20X1-006]<sup>144</sup> to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example 20X1-007 and 20X1-008]<sup>145</sup> to be significant deficiencies.

Our audit of Major Federal Programs A, B, D, E, and F was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on Example Entity's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. Example Entity's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.<sup>146,147,148</sup>

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.<sup>149</sup>

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**<sup>150,151</sup>

<sup>144</sup>See footnote 28.

<sup>145</sup>See footnote 28.

<sup>146</sup>See footnote 8.

<sup>147</sup>See footnote 9.

<sup>148</sup>See footnote 10.

<sup>149</sup>See footnote 12.

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.<sup>152</sup>

*[Signature of the auditor's firm]*

*[City and state where auditor's report is issued]*<sup>153</sup>

*[Date of the auditor's report]*<sup>154</sup>

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<sup>150</sup>See footnote 13.

<sup>151</sup>See footnote 14.

<sup>152</sup>See footnote 15.

<sup>153</sup>See footnote 16.

<sup>154</sup>See footnote 17.

### Example 13-8: Example Schedule of Findings and Questioned Costs

Section I – Summary of Auditor's Results			
<i>Financial Statements</i>			
Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP [ <i>unmodified, qualified, adverse, or disclaimer</i> ]. <sup>155,156</sup>			
Internal control over financial reporting:			
· Material weakness(es) identified?	_____ yes	_____ no	
· Significant deficiency(ies) identified?	_____ yes	_____ none reported	
Noncompliance material to financial statements noted?	_____ yes	_____ no	
<i>Federal Awards</i>			
Internal control over major federal programs:			
· Material weakness(es) identified?	_____ yes	_____ no	
· Significant deficiency(ies) identified?	_____ yes	_____ none reported	
Type of auditor's report issued on compliance for major federal programs [ <i>unmodified, qualified, adverse, or disclaimer</i> ]. <sup>157,158</sup>			
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 516(a)?	_____ yes	_____ no	
Identification of major federal programs: <sup>159</sup>			
Assistance Listing Number(s) <sup>160</sup>		Name of Federal Program or Cluster <sup>161</sup>	
Dollar threshold used to distinguish between type A and type B programs:	\$ _____		
Auditee qualified as low-risk auditee?	_____ yes	_____ no	

<sup>155</sup>As explained in A CPA Audit and Accounting Guide *State and Local Governments*, the auditor generally expresses or disclaims an opinion on a government's basic financial statements by providing an opinion or disclaimer of opinion on each opinion or unit required to be presented in those financial statements. Therefore, there could be multiple responses to this question for audits of a government's basic financial statements.

<sup>156</sup>If the financial statements are prepared in accordance with a special purpose framework, this statement may be modified as follows to align the wording with the questions in the data collection form Form SF-SAC submitted to the Federal Audit Clearinghouse:

The type of report the auditor issued on whether the financial statements were prepared in accordance with the [*insert special purpose framework*] was [*insert unmodified, qualified, adverse, or disclaimer*].

The special purpose framework used as a basis of accounting [*insert either "was" or "was not," as applicable*] required by state law.

<sup>157</sup>If the audit report for one or more major federal programs is other than unmodified, indicate the type of report issued for each program. For example, if the audit report for major federal program compliance for an auditee having five major federal programs includes an unmodified opinion for three of the programs, a qualified opinion for one program, and a disclaimer of opinion for one program, the response to this question could be as follows:

"Unmodified for all major federal programs except for [name of program], which was qualified and [name of program], which was a disclaimer."

<sup>158</sup>An auditor may consider providing the information in table format, for example:

Federal Agency and Name of Major Program	Type of Opinion on Major Program
Department of Housing and Urban Development, CDBG - Entitlement Grants Cluster, Community Development Block Grant - Entitlement Grants	Unmodified
Department of Education, Impact A d	Qualified

<sup>159</sup>Major federal programs generally would be identified in the same order as reported on the schedule of expenditures of federal awards. In the case of a cluster of programs, only the cluster name as shown on the schedule of expenditures of federal awards is required.

<sup>160</sup>When the Assistance Listing number is not available an alternate number may be presented. Although not required, the auditor recommends that the auditor use the format prescribed by the FAC instructions to Form SF-SAC. See chapter 7, "Schedule of Expenditures of Federal Awards," of this guide for additional information.

<sup>161</sup>The name of the federal program or cluster should be the same as that listed in the schedule of expenditures of federal awards. For clusters, auditors are required only to list the name of the cluster and not each individual award or program within the cluster.

## **Section II — Financial Statement Findings**

*This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements related to the financial statements for which Government Auditing Standards requires reporting. Auditors may refer to chapter 4 of this guide for a discussion of the Government Auditing Standards requirements for presenting findings.*

*Audit findings that relate to both the financial statements and federal awards must be reported in both section II and section III. However, the reporting in one section may be in summary form with a reference to a detailed reporting in the other section of the schedule. For example, a material weakness in internal control that affects an entity as a whole, including its federal awards, generally would be reported in detail in this section. Section III would then include a summary identification of the finding and a reference back to the specific finding in this section.*

*Identify each finding with a reference number.<sup>162</sup> If there are no findings, this section could state that no matters were reported. Alternatively, this section could be omitted without confusing the schedule's users because the summary of auditor's results section would indicate that there are no findings. Each finding should be presented in the level of detail shown in the following listing, as applicable. Auditors also may refer to chapter 4 of this guide for a discussion of the Government Auditing Standards requirements for presenting findings:*

- *Criteria*
- *Condition*
- *Cause*

<sup>162</sup>Finding reference numbers must follow the format meeting the requirements of the data collection form submission. See paragraph 13.46.

- *Effect or potential effect*
- *Recommendation*
- *Views of responsible officials*<sup>163</sup>

### **Section III — Federal Award Findings and Questioned Costs**

*This section identifies the audit findings required to be reported by 2 CFR 200.516(a) (for example, significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and significant instances of abuse). Where practical, findings should be organized by federal agency or pass-through entity.*

*Audit findings that relate to both the financial statements and federal awards must be reported in both section II and section III. However, the reporting in one section may be in summary form with a reference to a detailed reporting in the other section of the schedule. For example, a finding of noncompliance with a federal program statute that is also material to the financial statements generally would be reported in detail in this section. Section II would then include a summary identification of the finding and a reference back to the specific finding in this section.*

*Identify each finding with a reference number.<sup>164</sup> If there are no findings, this section could state that no matters were reported. Alternatively, this section could be omitted without confusing the schedule's users because the summary of auditor's results section would indicate that there are no findings. Each finding must be presented in the level of detail shown in the following listing, as applicable.*

- *Identification of the federal program*<sup>165</sup>
- *Criteria or specific requirement (including statutory, regulatory, or other citation)*
- *Condition*<sup>166</sup>
- *Cause*
- *Effect or potential effect*
- *Questioned costs*<sup>167</sup>
- *Context*<sup>168</sup>
- *Identification as a repeat finding, if applicable*<sup>169</sup>

<sup>163</sup>See paragraphs 13.38 and 13.42–44 for guidance on reporting views of responsible officials (also referred to as management's response).

<sup>164</sup>See footnote 162.

<sup>165</sup>Provide the federal program (Assistance Listing number and title) and agency, the federal award identification number and year, and the name of the pass-through entity, if applicable. When this information is not available, provide the best information available to describe the federal award.

<sup>166</sup>Include facts that support the deficiency identified in the audit finding.

<sup>167</sup>Identify questioned costs and how they were computed. Known questioned costs must be identified by applicable Assistance Listing number(s) and applicable federal award identification number(s).

- *Recommendation*
- *Views of responsible officials*<sup>170</sup>

**Example 13-9: Report on Audit of the Schedule of Expenditures of Federal Awards When the Auditor Is Issuing a Stand-Alone Report Under AU-C Section 805, *Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement***<sup>171</sup>

***(Unmodified Opinion on Schedule of Expenditures of Federal Awards)***

Independent Auditor's Report

[Appropriate Addressee]

**Report on the Audit of the Schedule of Expenditures of Federal Awards**

***Opinion***

We have audited the schedule of expenditures of federal awards of the Example Entity for the year ended June 30, 20X1, and the related notes (the schedule).

In our opinion, the accompanying schedule of expenditures of federal awards presents fairly, in all material respects, the expenditures of federal awards of Example Entity for the year ended June 30, 20X1, in accordance with accounting principles generally accepted in the United States of America.<sup>172</sup>

***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*<sup>173</sup> issued by the Comptroller General of the United

<sup>168</sup>This information is for the purpose of providing a proper perspective for judging the prevalence and consequences of the audit findings (for example, whether the audit findings represent an isolated instance or a systemic problem). When appropriate, the instances identified must be related to the universe and the number of cases examined and be quantified in terms of the dollar value. The Uniform Guidance states that the auditor *should* report whether the sampling was a statistically valid sample.

<sup>169</sup>This identification is required when the finding is a repeat of a finding in the immediately prior year. Any applicable prior year audit finding numbers must be included.

<sup>170</sup>See footnote 163.

<sup>171</sup>This illustration assumes that the auditor is engaged to issue a stand-alone opinion on the schedule of expenditures of federal awards using the guidance in AU-C section 805, *Special Considerations — Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*. See paragraph 13.20 of this guide for more information about this reporting and chapter 7 of this guide for a discussion of when this may occur and information on the objectives and audit evidence needed in such an audit.

<sup>172</sup>Sometimes the schedule of expenditures of federal awards is prepared using a special purpose framework, such as the cash basis of accounting. In those cases, AU-C section 800, *Special Considerations — Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, provides requirements and guidance for auditor reporting.



States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of the Schedule section of our report.

We are required to be independent of Example Entity and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### ***Responsibilities of Management for the Schedule***

Management is responsible for the preparation and fair presentation of the schedule in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the schedule that is free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibilities for the Audit of the Schedule***

Our objectives are to obtain reasonable assurance about whether the schedule as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the schedule.

In performing an audit in accordance with GAAS, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the schedule, whether due to fraud, or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the schedule.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Example Entity's internal control. Accordingly, no such opinion is expressed.

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<sup>173</sup>See footnote 4.

- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the schedule.<sup>174</sup>

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

*[Signature of the auditor's firm]*

*[City and state where the auditor's report is issued]*<sup>175</sup>

*[Date of the auditor's report]*

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<sup>174</sup>Paragraph .29 of AU-C section 700, *Forming an Opinion and Reporting on Financial Statements*, indicates that the auditor should report in accordance with AU-C section 570, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern*, when applicable. Because the auditor is reporting on financial statements of less than a legally separate entity, the report assumes that the auditor has determined that AU-C section 570 is not applicable. Therefore, this section does not include information related to going concern.

<sup>175</sup>See footnote 16.

NOTE: The illustrative reports included here represent a sampling of the report examples included in chapter 13 of the latest edition of the AICPA Audit Guide, Government Auditing Standards and Single Audits. Purchase the 2023 edition to access the full set of examples.