
APPENDIXES

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Appendix A

CONSULTATIONS

REVIEWER

- .01 The paragraphs listed below refer to situations in which the auditor should consult with the Reviewer:
- 100.27 Departing from a policy or procedure designated as "must" in the manual (for deviations from a "should" the auditor should send a memorandum to the Reviewer rather than consult).
 - 230.07 Using an amount for planning materiality that does not follow the guidelines in the manual.
 - 260.05 Using an increased overall audit assurance.
 - 285.04, 295 C Using a plan other than that described in section 295 C for selecting locations to visit.
 - 395 G.07 Planned rotation of IS control testing.
 - 480.13 Using nonstatistical sampling.
 - 480.41 Determining the adequacy of substantive procedures in light of any reassessment of combined risk.
 - 530.01 Determining the need to perform additional procedures when there are questions about the adequacy of work performed.
 - 540.04, 595 C Reviewing the Summary of Possible Adjustments.
 - 540.09 Reviewing documentation of a decision to modify the opinion based on the materiality of total unadjusted likely misstatements.
 - 540.12 Considering the materiality of unadjusted misstatements and their effects on the financial statements.

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- 540.16 Determining the effects on the auditor's report, if any, of material misstatements detected in the current year that arose during prior periods but were not detected during prior audits.
- 540.17 Considering the performance of additional procedures to increase assurance in projected misstatements.
- 540.19 Considering whether misstatements may be the result of fraud.
- 580.40 Determining the appropriate type of opinion on internal control when there is a scope limitation.
- 580.48 Considering the opinion on internal control.
- 580.74 Determining the effects on the auditor's report if weaknesses are found in compliance controls but no instances of noncompliance are detected.

STATISTICIAN

.02 The following paragraphs refer to situations in which the auditor should consult with the Statistician:

- 295 C.04, 480.33 Using classical variables sampling or another representative sampling method to select locations.
- 410.03 Consulting for assistance in designing and evaluating samples.
- 440.02, 450.17, 460.02, 480.28, 480.30 Expanding the sample size to test additional items.
- 450.07 Determining sample sizes for tests of controls when not using Tables I and/or II.

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- 450.09 Computing reduced sample sizes and evaluating results for small
(footnote), populations.
- 460.02
(footnote)
- 450.16 Continuing to test a sample when deviations exceed the
acceptable number.
- 450.18 Projecting the rate of sample control deviations to a population for
a report.
- 480.13 Using nonstatistical sampling.
- 480.17 Using a method of sampling other than attributes, dollar-unit,
classical variables estimation, or classical probability-
proportional-to-size sampling.
- 480.21 Deciding when to use DUS versus classical variables estimation
(footnote) sampling.
- 480.38 Sampling when dollar amounts are not known.
- 480.39 Evaluating sample results for substantive tests.
- 480.42 Evaluating samples designed to test existence when
understatements are found.
- 480.44 Evaluating dollar-unit samples when a significant number of
misstatements is found.
- 480.45 Evaluating classical variables estimation sampling.
- 480.46 Evaluating the results of other samples.
- 495 A.24 Using regression analysis for analytical procedures.
- 540.11 Computing the combined precision for all sampling applications.

Appendix A Consultations

OGC

- .03 The paragraphs listed below refer to situations in which the auditor should consult with OGC:
- 245.02a. Identifying laws and regulations that have a direct effect on determining amounts in the financial statements.
 - 250.01, Identifying relevant budget restrictions.
250.03,
250.05
 - 370.12 Determining the legal implications of indications that internal control might not provide reasonable assurance that the entity executed transactions in accordance with budget authority.
 - 395 F.01 Identifying any impoundments (rescissions or deferrals) as a
(footnote) result of evaluating budgetary controls.
 - 395F Determining, prior to performing control or compliance tests, the
Sup.01c. applicability of budget restrictions to modifications made to direct loans, direct loan obligations, loan guarantees, or loan guarantee commitments that were outstanding prior to October 1, 1991.
 - 460.07 Evaluating possible instances of noncompliance noted in connection with compliance testing.
 - 540.19, Considering whether misstatements may be the result of fraud.
540.21
 - 580.66 Concluding on the entity's compliance with laws and regulations.
 - 580.74 Determining the effects on the auditor's report if weaknesses are found in compliance controls but no instances of noncompliance are detected.

Appendix B

INSTANCES WHERE THE AUDITOR "MUST" COMPLY WITH THE FAM

- .01 In the paragraphs listed below the word "must" is used to indicate a situation in which the auditor is required to comply with the FAM:
- 100.04 In opining on internal control, the opinion must be on internal (footnote) control and not management's assertion if material weaknesses are present.
 - 100.17 The audit must be designed to achieve the objectives of OMB audit guidance.
 - 100.23 The auditor must exercise judgment properly, assuring that, at a minimum, the work meets professional standards.
 - 295 C.07 The auditor must apply analytical or other substantive procedures to locations not tested in using nonrepresentative sample selection, unless immaterial.
 - 310.06 The auditor must evaluate and test certain controls.
 - 310.08 The auditor must test the effectiveness of controls if the controls have been determined to be effective in design.
 - 340.09 The auditor must test controls that are likely to be effective.
 - 395 G.02 In using rotation testing of controls, the auditor must annually perform some work in areas not selected for testing.
 - 475.07 In order to rely on a substantive analytical procedure, a difference that exceeds the limit must be explained.
 - 475.12 In performing a substantive analytical procedure, if the explanation is not adequate to explain the difference, the auditor must do additional substantive testing.
 - 475.13 Additional procedures must provide adequate assurance that misstatements that exceed test materiality are identified.

Appendix B
Instances Where the Auditor "Must" Comply with the FAM

- 475.15 The auditor must obtain an overall understanding of current-year financial statements in using overall analytical procedures at the financial statement level.
- 480.06 When using nonrepresentative selection, the auditor must not project results to the portion of the population not tested and must apply other procedures to the remaining items unless immaterial.
- 480.07 In representative sampling, each item in the population must have the opportunity to be selected.
- 480.14 In sampling, sample items must be selected from all items so that each item has an opportunity to be selected.
- 480.47 The auditor must evaluate the quantitative and qualitative effects of known and projected misstatements in relation to the financial statements as a whole.
- 490.03 The auditor must consider the implications of misstatements detected in applying supplemental analytical procedures.
- 495 A.11 In using analytical procedures, if an account is compared with another current year amount, that amount must be audited by means other than an analytical procedure using its relationship to this account.
- 495 A.12 In analytical procedures, the auditor must document why a prior year amount has a plausible and predictable relationship with the current year amount, and adjustments must be supported by reliable data and corroborated. (Four "musts" in paragraph.)
- 495 A.21 In using computer-produced data in performing analytical procedures, the auditor must either test the IS controls in the system or test the reliability of the data produced. (Two "musts" in paragraph.)
- 495 C.04 The auditor must perform additional procedures to extend the results of interim testing to year-end.

Appendix B
Instances Where the Auditor "Must" Comply with the FAM

- 510.01 The auditor must conclude on the financial statements, internal control, FFMIA requirements, compliance, and other information included.
- 520.01 The auditor must perform overall analytical procedures.
- 520.07 (First bullet.) In overall analytical procedures, the auditor must use audited, final current-year amounts.
- 540.07 The auditor must bring all misstatements found to management's attention (except those below the auditor-designated amount at which misstatements need not be accumulated).
- 570.01, 580.14 The auditor must determine whether the audit was conducted in accordance with GAGAS, OMB audit guidance, and the GAO/PCIE financial audit methodology, and document the conclusion on compliance in the workpapers.
- 580.22 The auditor must consider whether the financial statements are materially affected by a departure from generally accepted accounting principles.
- 580.39 In order to express an opinion on internal control, the auditor must have a management assertion about the effectiveness of internal control and must be able to perform all the procedures considered necessary. (Two "musts" in paragraph.)

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GLOSSARY

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GLOSSARY

Accountability report	An agency's accountability report integrates the (1) Federal Managers' Financial Integrity Act (FMFIA) Report; (2) Chief Financial Officers' (CFO) Act Annual Report, including audited financial statements; (3) Management's Report on Final Action as required by the Inspector General Act; (4) the Debt Collection Improvement Act, Civil Monetary Penalty Act and Prompt Payment Act reports; and (5) available information on agency performance compared with the agency's stated goal and objectives.
Accounting applications	The procedures and records used to identify, record, process, summarize, and report a class of transactions. Common accounting applications are (1) billings, (2) accounts receivable, (3) cash receipts, (4) purchasing and receiving, (5) accounts payable, (6) cash disbursements, (7) payroll, (8) inventory control, and (9) property and equipment.
Accounting system	The methods and records established to identify, assemble, analyze, classify, record, and report an entity's transactions and to maintain accountability for the related assets and liabilities.
Activity	In cost accounting, an activity is the actual work task or step performed in producing and delivering products and services. An aggregation of actions performed within an organization that is useful for purposes of activity-based costing.
Analytical procedures	The comparison of recorded account balances with expectations developed by the auditor, based on an analysis and understanding of the relationships between the recorded amounts and other data, to form a conclusion on the recorded amount. A basic premise underlying the application of analytical procedures is that plausible relationships among data may reasonably be expected to continue unless there are known conditions that would change the relationships.

Glossary

Annual financial statement	<p>As defined by OMB, the annual financial statement comprises</p> <ul style="list-style-type: none">• an overview of the reporting entity (or Management’s Discussion and Analysis, MD&A),• the financial statements and related notes,• required supplementary stewardship information,• required supplementary information, and• other accompanying information.
Application controls	<p>Management’s control activities that are incorporated directly into individual computer applications to provide reasonable assurance of accurate and reliable procession. Application controls address (1) data input, (2) data processing, and (3) data output. FISCAM categories of application controls that more closely tie into the FAM methodology are (1) authorization control, (2) completeness control, (3) accuracy control, and (4) control over integrity of processing and data files.</p>
Appropriation	<p>The most common form of budget authority; an authorization by an act of the Congress that permits federal agencies to incur obligations and to make payments out of the Treasury for specified purposes. Appropriations do not represent cash actually set aside in the Treasury for purposes specified in the appropriation acts. They represent limitations of amounts that agencies may obligate during the period specified in the appropriation acts.</p>
Assertions	<p>Management's representations that are embodied in the account balance, transaction class, and disclosure components of the financial statements. The primary assertions (described in paragraph 235.02) are</p> <ul style="list-style-type: none">• Existence or occurrence• Completeness• Rights and obligations• Valuation or allocation• Presentation and disclosure

Glossary

Assessing control risk	The process of evaluating the effectiveness of an entity's internal control in preventing or detecting misstatements in financial statement assertions.
Assurance, level of	The complement of audit risk, which is an auditor judgment. This is not the same as confidence level, which relates to an individual sample.
Attributes sampling	Statistical sampling that reaches a conclusion about the population in terms of a rate of occurrence.
Audit risk	The overall risk that the auditor may <u>unknowingly</u> fail to appropriately modify his or her opinion on financial statements that are materially misstated. This is an auditor judgment.
Back door authority	Any type of budget authority that is provided by legislation outside the normal appropriations process. (See contract authority.)
Base data	Data used to develop the expectation in an analytical procedure.
Borrowing authority	Statutory authority that permits obligations to be incurred but requires that funds be borrowed to liquidate the obligations (see title 7 of the <i>GAO Policies and Procedures Manual for Guidance of Federal Agencies</i>). Usually, the amount that may be borrowed and the purposes for which the borrowed funds must be used are stipulated by the authorizing statute. Borrowing authority sometimes is referred to as back door authority.

Glossary

Budget authority	<p>Authority provided by law (1) to enter into obligations that will result in immediate or future outlays involving government funds or (2) to collect offsetting receipts (2 U.S.C. 622(2)). The Congress provides an entity with budget authority and may place restrictions on the amount, purpose, and timing of the obligation or expenditure of such authority. The three forms of budget authority are</p> <ul style="list-style-type: none">• appropriations• borrowing authority• contract authority
Budget controls	<p>Management's policies and procedures to manage and control the use of appropriated funds and other forms of budget authority. (These are considered part of financial reporting and compliance controls.)</p>
Budget functional classification	<p>A way of grouping budgetary resources so that all budget authority and outlays of on-budget and off-budget federal entities and tax expenditures can be presented according to national needs being addressed. To the extent feasible, functional classifications are made without regard to entity or organizational distinctions.</p>
Case study	<p>See nonsampling selection.</p>
Cause and effect basis	<p>In cost accounting, a way to group costs into cost pools in which an intermediate activity may be a link between the cause and the effect.</p>
Classical probability proportional to size sampling	<p>A sampling approach where the sample is selected proportional to the size (usually dollar amount) of an item and the evaluation is performed using variables methods (not dollar unit sampling).</p>
Classical variables estimation sampling	<p>A sampling approach that measures precision using the variation of the underlying characteristic of interest. This method includes mean per unit sampling, difference estimation, ratio estimation, and regression estimation.</p>

Glossary

Closed account	A budget account for which the expired budget authority has been canceled.
Combined precision	A judgment of precision for all tests in the audit. Used at the end of the audit to evaluate the results of all tests.
Combined risk	The auditor's judgment of the combined inherent and control risk (high, moderate, or low); the risk that the financial statements contain material misstatements before audit.
Common data source	In cost accounting, this includes all financial and non-financial data, such as environmental data, that are necessary for budgeting and financial reporting, as well as evaluation and decision information developed as a result of prior reporting and feedback.
Compliance control	A process, effected by management and other personnel, designed to provide reasonable assurance that transactions are executed in accordance with (1) laws governing the use of budget authority and other laws and regulations that could have a direct and material effect on the financial statements or required supplementary stewardship information and (2) any other laws, regulations, and governmentwide policies identified in OMB audit guidance.
Compliance tests	Tests to obtain evidence on the entity's compliance with significant laws and regulations.
Confidence interval	The projected misstatement or point estimate plus or minus precision at the desired confidence level.
Confidence level	The probability associated with the precision; the probability that the true misstatement is within the confidence interval. This is not the same as level of assurance.

Glossary

Contingency	An existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss.
Contract authority	Statutory authority that permits obligations to be incurred before appropriations or in anticipation of receipts to be credited to a revolving fund or other account (offsetting collections). By definition, contract authority is unfunded and must subsequently be funded by an appropriation to liquidate the obligations incurred under the contract authority or by the collection and use of receipts.
Control environment	A component of internal control, in addition to risk assessment, monitoring, information and communication, and control activities. The control environment sets the tone of an organization, influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure. The control environment represents the collective effect of various factors on establishing, enhancing, or mitigating the effectiveness of specific control activities. Such factors include (1) integrity and ethical values, (2) commitment to competence, (3) management's philosophy and operating style, (4) organizational structure, (5) assignment of authority and responsibility, (6) human resource policies and practices, (7) control methods over budget formulation and execution, (8) control methods over compliance with laws and regulations, and (9) oversight groups.
Control risk	The risk that a material misstatement that could occur in an assertion will not be prevented or detected on a timely basis by the entity's internal controls (classified as high, moderate, or low). This is an auditor judgment.

Glossary

Control activities (techniques)	A component of internal control, in addition to the control environment, risk assessment, monitoring, and information and communication. The policies and procedures that help ensure that management directives are carried out.
Control tests	Tests of a specific control activity to assess its effectiveness in achieving control objectives.
Core financial management system (CFMS)	As developed by JFMIP, a system that consists of six functional areas: general ledger management, funds management, payment management, receivable management, cost management, and reporting, and affects all financial event transaction processing because it maintains reference tables used for editing and classifying data, controls transactions, and maintains security.
Cost	The monetary value of resources used or sacrificed or liabilities incurred to achieve an objective, such as to acquire or produce a good or to perform an activity or service.
Costing methodology	Methodology for accumulating the costs of resources that directly or indirectly contribute to the production of outputs and assigning those costs to outputs.
Department (per FASAB Interpretation No. 6)	Any department, agency, administration, or other financial reporting entity (see SFFAC No. 2) that is not part of a larger financial reporting entity other than the government as a whole. Used in distinguishing inter- and intradepartmental activity and balances.
Design materiality	The portion of planning materiality that the auditor allocates to line items or accounts. This amount should be the same for all line items or accounts (except for certain offsetting balances as discussed in paragraph 230.10). The auditor should set design materiality for the audit as one-third of planning materiality. (See discussion in paragraph 230.12.)

Glossary

Detection risk	The risk that audit procedures will not detect a material misstatement that exists in the financial statements. The auditor determines the desired detection risk based on combined risk and audit risk. (In statistical terms, beta risk or type II risk.)
Errors	<u>Unintentional</u> misstatements or omissions of amounts or disclosures in financial statements.
Expectation	The auditor's estimate of an account balance in an analytical procedure.
Expected misstatement	The dollar amount of misstatements the auditor expects in a population.
Expired account	A budgetary account in which the balances are no longer available for incurring new obligations because the time available for incurring such obligations has expired. After 5 years, these accounts are canceled and are then considered to be closed accounts.
Federal financial management systems requirements	One of the three requirements of FFMIA. They include the requirements of OMB Circulars A-127, A-123, and A-130 and the JFMIP Federal Financial Management Systems Requirements series.
Financial reporting control	A process, effected by management and other personnel, designed to provide reasonable assurance that transactions are properly recorded, processed, and summarized to permit the preparation of the financial statements and required supplementary stewardship information in accordance with GAAP, and that assets are safeguarded against loss from unauthorized acquisition, use, or disposition.

Glossary

Financial statements (also called principal statements)	<p>The components of a federal entity's annual financial statement (also referred to as the Accountability report), which are</p> <ul style="list-style-type: none">• Balance Sheet• Statement of Net Cost• Statement of Changes in Net Position• Statement of Budgetary Resources• Statement of Financing• Statement of Custodial Activity (if applicable)• Related Notes
Fraud	<p>Although fraud is a broad legal concept, the auditor is interested in fraudulent acts that cause a material misstatement of financial statements. Fraud is distinguished from error because fraud is intentional whereas error is unintentional. Two relevant types of misstatements are those arising from fraudulent financial reporting and those arising from misappropriation of assets.</p>
Fraudulent financial reporting	<p>Intentional misstatements or omissions of amounts or disclosures in financial statements to deceive financial statement users. This may involve acts such as manipulation, falsification, or alteration of accounting records or supporting documents; misrepresentation or intentional omission of events, transactions, or other significant information in the financial statements; or intentional misapplication of accounting principles relating to amounts, classification, manner of presentation, or disclosure.</p>
Full cost	<p>In cost accounting, the sum of all costs required by a cost object including the costs of activities performed by other entities regardless of funding sources.</p>
Fund Balance with Treasury account (FBWT)	<p>An asset account representing the unexpended spending authority in agencies' appropriations. Also serves as a mechanism to prevent agencies' disbursements from exceeding appropriated amounts.</p>

Glossary

General controls	Management's policies and procedures that apply to an entity's overall computer operations and that create the environment in which application controls and certain user controls (which are control activities) operate. They are classified in the FISCAM as (1) entitywide security management program, (2) access control, (3) application software development and change control, (4) system software, (5) segregation of duties, and (6) service continuity control.
Generally accepted accounting principles (GAAP)	The accounting principles that the entity should use. For federal executive agencies, these are federal accounting standards following the hierarchy listed in SAS 91. The standards issued by FASAB are the first level of the hierarchy. For government corporations, generally accepted accounting principles are commercial generally accepted accounting principles issued by FASB.
Haphazard sample	A sample consisting of sampling units selected without any conscious bias, that is, without any special reason for including or omitting items from the sample. It does not consist of sampling units selected in a careless manner, but is selected in a manner that can be expected to be representative of the population.
Information and communication	A component of internal control in addition to the control environment, risk assessment, monitoring, and control activities. The identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities. The accounting system and accounting manuals are examples of this component.
Information systems (IS) auditor	A person with specialized technical knowledge and skills who can understand the IS concepts discussed in the manual and apply them to the audit.

Glossary

IS controls	Controls whose effectiveness depends on computer processing, including general, application, and user controls (described in section 295 F).
Inherent risk	The susceptibility of an assertion to a material misstatement, assuming there are no related specific control activities. This is an auditor judgment.
Interdepartmental amounts	Activity and balances between two different departments. (See department.) The intradepartmental and interdepartmental amounts are subsets of intragovernmental activity and balances.
Interentity	Activities or balances between two or more agencies, departments, or bureaus. (See inter- and intradepartmental.)
Internal control	<p>A process, effected by an entity's management and other personnel, to provide reasonable assurance that the entity's specific objectives are achieved. Following are the types of internal controls:</p> <ul style="list-style-type: none">• financial reporting (including safeguarding and budget)• compliance (including budget)• operations
Intradepartmental amounts	Activity and balances within the same department. (See department.) The intradepartmental and interdepartmental amounts are subsets of intragovernmental activity and balances.
Intragovernmental amounts	Activity and balances occurring within or between federal departments.
Intragovernmental Payment and Collection System (IPAC)	The primary method used by most federal agencies to electronically bill and/or pay for services and supplies within the government. Used to communicate to the Treasury and the trading partner agency that the online billing and/or payment for services and supplies has occurred.

Glossary

Joint Financial Management Improvement Program (JFMIP)	The joint undertaking of the U.S. Department of the Treasury, the U.S. General Accounting Office, the Office of Management and Budget, and the Office of Personnel Management to improve financial management in the federal government. The source of governmentwide requirements for financial management systems software functionality that describes the basic elements of an integrated financial management system (including the core financial system).
Judgment fund	A permanent and indefinite appropriation that is available to pay final judgments, settlement agreements, and certain types of administrative awards against the United States when payment is not otherwise provided for. The Secretary of the Treasury certifies all payments from the fund.
Known misstatement	The amount of misstatement found by the auditor.
Likely misstatement	The auditor's best estimate of the amount of the misstatement in the tested population (including known misstatement). For sampling applications, this amount is the projected misstatement.
Limit	Used in performing substantive analytical procedures, the limit is the amount of difference between the expectation and the recorded amount that the auditor will accept without investigation. Therefore, the auditor should investigate amounts that exceed the limit during analytical procedures.
Materiality	The magnitude of an item's omission or misstatement in a financial statement that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would have been changed or influenced by the inclusion or correction of the item (FASB Statement of Financial Concepts No. 2). See planning materiality, design materiality, and test materiality.

Glossary

Misappropriation of assets	Theft of an entity's assets causing the financial statements not to be presented in conformity with GAAP.
Monitoring	A component of internal control in addition to the control environment, risk assessment, information and communication, and control activities. The process by which management assesses internal control performance over time. It may include ongoing activities, separate evaluations, or a combination of both.
Multipurpose testing	Performing several tests, such as control tests, compliance tests, and substantive tests, on a common selection, usually a sample.
Nonsampling selection	A selection of items to reach a conclusion only on the items selected. Sometimes called a case study, the auditor using a nonsampling selection may not project the results to the population, but should be satisfied that there is a low risk of material misstatement in the untested items.
Obligation ceiling	A limit set by the Congress on the amount of obligations and expenditures the entity may incur even though the budget authority (such as an appropriation) is greater than this limit.
Offsetting collections	Collections of a business- or market-oriented nature and intragovernmental transactions. If, pursuant to law, they are deposited to receipts accounts and are available for obligation, they are considered budget authority and referred to as offsetting receipts. Contract authority and immediate availability of offsetting receipts for use are the usual forms of budget authority for revolving funds.
Operations controls	Management's policies and procedures to carry out organizational objectives, such as planning, productivity, programmatic, quality, economy, efficiency, and effectiveness objectives.

Glossary

Output	Any product or service generated from the consumption of resources. This can include information generated by the completion of a task or activity.
Overall analytical procedures	Analytical procedures performed as an overall financial statement review during the audit reporting phase.
Performance measures controls	Policies and procedures management uses to assure data that support performance measures reported in the MD&A of the Accountability report are properly recorded, processed, and summarized to permit preparation of performance information in accordance with criteria stated by management.
Planning materiality	The auditor's judgment of the total amount of misstatements that would be material in relation to the financial statements to be audited; used for planning the audit scope. The auditor determines an appropriate base (usually the greater of assets, liabilities, revenues, or expenses); then the auditor multiplies by a percent, usually 3 percent.
Point estimate	Most likely amount of the population characteristic based on the sample.
Population	The items comprising a financial statement line item, account balance, or class of transactions from which selections are made for audit testing.
Precision	The difference between the point estimate and the upper or lower limit. Thus, precision tells the auditor how close the point estimate could be from the true population amount.
Preliminary analytical procedures	Analytical procedures performed during the audit planning phase.
Principal statements	See financial statements.

Glossary

Probable	The chance of the future confirming event(s) occurring is likely, for pending or threatened litigation and unasserted claims. (For other contingencies, the future event or events are more likely than not to occur.)
Projected misstatement	An estimate of the misstatement in a population, based on the misstatements found in the examined sample items; represents misstatements that are probable. The projected misstatement <u>includes</u> the known misstatement.
Providing agency	The agency providing services, products, goods, transfer funds, investments, debt, and/or incurring the reimbursable costs. This includes bureaus, departments, and/or programs within agencies. The providing agency is the seller. The providing agency is the agency transferring out funds to another agency (transfers-out) when appropriations are transferred without the exchange of goods or services.
Random sample	A sample selected so that every combination of the same number of items in the population has an equal chance of selection. A random sample should be selected by using computer software or a random number table. A systematic sample with a random start, although not technically meeting the definition, may generally be evaluated as if it were a random sample.
Reasonably possible	The chance of the future event or events occurring is more than remote but less than probable.
Receiving agency	The agency receiving services, products, goods, transfer funds, purchasing investments, and/or borrowing from Treasury (or other agency). This includes bureaus, departments, and/or programs within agencies. The receiving agency is the purchaser. The receiving agency is the agency receiving transfers of funds (transfers in) when appropriations are transferred without the exchange of goods or services.

Glossary

Reciprocal accounts	Corresponding SGL accounts that should be used by a providing and receiving agency to record like intra-governmental transactions. For example, the providing entity's accounts receivable would normally be reconciled to the reciprocal account, accounts payable, on the receiving entity's records.
Recorded amount	The financial statement amount being tested by the auditor in the specific application of substantive tests.
Reimbursable activity	In intragovernmental activity, similar to goods or services, except the amounts billed to the receiving entity by the providing entity are based on actual costs incurred instead of on fees.
Related parties	Affiliates, management of the entity, their immediate families, and other parties the entity deals with if one party controls or can significantly influence the management or operating policies of the other to an extent that one of the parties might be prevented from fully pursuing its own separate interests.
Remote	The chance of the future event or events occurring is slight.
Responsibility segment	In cost accounting, a significant organizational, operational, functional, or process component that has the following characteristics: (a) its manager reports to the entity's top management, (b) it is responsible for carrying out a mission, performing a line of activities or services, or producing one or a group of products, and (c) for financial reporting and cost management purposes, its resources and results of operations can be clearly distinguished, physically and operationally, from those of other segments of the entity.
Risk	See audit risk, inherent risk, control risk, detection risk.

Glossary

Risk assessment	A component of internal control in addition to the control environment, monitoring, information and communication, and control activities. The entity's identification and analysis of relevant risks to achievement of its objectives, forming a basis for determining how the risks should be managed.
Safeguarding controls	Internal controls to protect assets from loss from unauthorized acquisition, use, or disposition arising from misstatements in processing transactions and handling the related assets. Safeguarding controls are considered part of financial reporting controls. Some safeguarding controls are operations controls.
Sample	Items selected from a population to reach a conclusion about the population as a whole. (Compare with nonsampling selection.)
Sampling	The application of audit procedures to fewer than all items composing a population to reach a conclusion about the entire population. The auditor selects sample items in such a way that the sample and its results are expected to be representative of the population. Each item must have an opportunity to be selected, and the results of the procedures performed must be projected to the entire population.
Sampling interval	The amount between two consecutive sample items, used in selecting the items in systematic sampling. In dollar-unit sampling, this amount may be determined by dividing the test materiality by a statistical risk factor.
Sampling risk	The risk that the auditor's conclusion based on a sample might differ from the conclusion that would be reached by applying the test in the same way to the entire population.
Specific control evaluation (SCE)	Evaluating the effectiveness of the design and operation of specific control activities. This process is documented on the SCE worksheet.

Glossary

Standard General Ledger (SGL)	A uniform chart of accounts and guidance for standardizing federal agency accounting. Composed of five major sections: (1) chart of accounts, (2) account descriptions, (3) accounting transactions, (4) SGL attributes, and (5) report crosswalks. Prescribed by the Department of the Treasury in its <i>Treasury Financial Manual</i> .
Standard General Ledger (SGL) at the transaction level	One of the three requirements of FFMIA. Implementing the SGL at the transaction level means that the entity's general ledger is in full compliance with the SGL chart of accounts descriptions and posting rules, that transactions from feeder systems are fed into the general ledger following SGL requirements through an automated or, in certain cases, a manual interface, that detail supporting these transactions can be traced back to the source transactions in the feeder systems, and that the feeder systems process transactions consistent with SGL account descriptions and posting rules.
Statistical sampling	Sampling that uses the laws of probability for selecting and evaluating a sample from a population for the purpose of reaching a conclusion about the population.

Glossary

Stewardship information	Required supplementary stewardship information includes (1) stewardship property, plant, and equipment (property owned by the federal government including: heritage assets [PP&E of historical, natural, cultural, educational, or artistic significance], national defense PP&E [weapons systems and vessels], and stewardship land [land other than that acquired for, or in connection with, general PP&E]), (2) stewardship investments (items treated as expenses in calculating net cost but meriting special treatment to highlight their substantial investment and long-term-benefit nature, including: nonfederal physical property [grants provided for properties financed by the federal government but owned by the state and local governments], human capital [education and training programs financed by the federal government for the benefit of the public], and research and development [basic and applied]), (3) stewardship responsibilities (current services assessment showing receipt and outlay data on the basis of projections of future activities—required in the consolidated statements of the U.S. government only—and social insurance information), and (4) risk-assumed information on insurance and guarantee programs (generally, the present value of unpaid expected losses net of associated premiums).
Stratification	Separation of a population into what the auditor believes are relatively homogeneous groups, each of which is referred to as a stratum, usually to improve sampling efficiency in a classical variables estimation sample.
Stratified sample	A classical variables estimation sample where the auditor first stratifies the population then selects a random sample from each stratum.
Substantive analytical procedures	Analytical procedures used as substantive tests.

Glossary

Substantive assurance	The auditor's judgment that the assurance provided by all substantive tests of an assertion will detect misstatements that exceed materiality. Not the same as confidence level.
Substantive tests	Specific tests to detect material misstatements in an assertion relating to the account balance, transaction class, and disclosure components of financial statements.
Suitable criteria	In agreed upon procedures engagements, suitable standards that have the attributes of objectivity, measurability, completeness, and relevance.
Supplemental analytical procedures	Analytical procedures to increase the auditor's understanding of account balances and transactions when detail tests are used as the sole source of substantive assurance.
Systematic sampling	A method of selecting a sample in which every n th item is selected. See random sample.
Test materiality (tolerable misstatement)	<p>The maximum misstatement that the auditor can tolerate in a population. This materiality is used in determining the extent of a specific substantive test. (In statistical terms, margin or bound of error.) Test materiality is design materiality, reduced when</p> <ul style="list-style-type: none">• the audit is being performed at some, but not all, entity locations (requiring increased audit assurance for those locations visited);• the area tested is deemed to be sensitive to the users of the financial statements; or• the auditor expects to find a significant amount of misstatements
Tolerable misstatement	See test materiality.

Glossary

Tolerable rate	In attribute sampling for control testing, the maximum rate of deviation from a prescribed control that the auditor would be willing to accept without altering the assessment of the effectiveness of the control. For tests of compliance with laws and regulations, the tolerable rate is the maximum rate of noncompliance that the auditor would accept in the population without reporting the noncompliance. (In statistical terms, margin or bound of error.)
Top stratum item	An item in a dollar-unit sample that equals or exceeds the amount of the sampling interval or implicit sampling interval. Top stratum items are tested 100 percent.
Trading partner code	As assigned by the U.S. Department of the Treasury, trading partner code is the attribute defined within the accounting for a transaction used to identify the trading partner entity. The trading partner code is illustrated next to the SGL account and is a two-digit number.
Trading partners	As defined by the U.S. Department of the Treasury, trading partners are agencies, bureaus, programs, or other entities (within or between agencies/ departments) participating in transactions with each other.
Transfers	Funding moved from one entity to another based on an agreement between the providing entity and the receiving entity
<i>Treasury Financial Manual (TFM)</i>	The <i>Treasury Financial Manual</i> (TFM) is Treasury's official publication for financial accounting and reporting of all receipts and disbursements of the federal government. Provides procedures for federal agencies to account for and reconcile transactions occurring within and between each other. Includes procedures for CFO Act agencies to reconcile and confirm with their trading partners intragovernmental activity and balances.

Glossary

Universe	See population.
User controls	Manual comparisons of computer output (generally totals) to source documents or other input (including control totals).
Walkthroughs	Audit procedures to help the auditor understand the actual operation of significant aspects of accounting system processing and control techniques. Walkthroughs of financial reporting controls consist of tracing one or more transactions from initiation, through all processing, to inclusion in the general ledger; observing the processing and applicable controls in operation; making inquiries of personnel applying the controls; and examining related documents.

FISCAM has a glossary of IS terms.

ABBREVIATIONS

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ABBREVIATIONS

AAPC	Accounting and Auditing Policy Committee
ABA	American Bar Association
AcSEC	Accounting Standards Executive Committee of the AICPA
AICPA	American Institute of Certified Public Accountants
ALC	agency locator code
ARA	Account Risk Analysis
AT	Reference to Statements on Standards for Attestation Engagements in the sections of the Codification of Statements on Auditing Standards
AU	Reference to Statements on Auditing Standards in the sections of the Codification of Statements on Auditing Standards
AUP	agreed-upon procedures
CFO	Chief Financial Officer
COSO	Committee of Sponsoring Organizations of the Treadway Commission
CSRS	Civil Service Retirement System
DUS	dollar-unit sampling
DCIA	Debt Collection Improvement Act
FACTS	Federal Agencies' Centralized Trial Balance System
FAM	GAO/PCIE <i>Financial Audit Manual</i>
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FBWT	fund balance with Treasury

Abbreviations

FCRA	Federal Credit Reform Act
FERS	Federal Employees' Retirement System
FISCAM	Federal Information System Controls Audit Manual
FFMIA	Federal Financial Management Improvement Act of 1996
FMFIA	Federal Managers' Financial Integrity Act of 1982
FMS	Financial Management Service
GAAP	generally accepted accounting principles
GAAS	generally accepted auditing standards
GAGAS	generally accepted government auditing standards
GAO	General Accounting Office
G/L	general ledger
GRA	General Risk Analysis
IG	Inspector General
IPAC	Intragovernmental Payments and Collection System
IS	Information Systems
JFMIP	Joint Financial Management Improvement Program
MD&A	management's discussion and analysis
NTDO	Non-Treasury Disbursing Office
OGC	Office of General Counsel
OMB	Office of Management and Budget
OPM	Office of Personnel Management
PCIE	President's Council on Integrity and Efficiency

Abbreviations

PP&E	property, plant, and equipment
RSI	required supplementary information
RSSI	required supplementary stewardship information
SAS	Statement on Auditing Standards
SCE	Specific Control Evaluation
SF	standard form
SFFAC	Statement of Federal Financial Accounting Concepts
SFFAS	Statement of Federal Financial Accounting Standards
SGL	U.S. Government Standard General Ledger
SSAE	Statement on Standards for Attestation Engagements
TFM	<i>Treasury Financial Manual</i>
W/P	workpaper

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