
SECTION 800

Compliance

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Compliance

802 - General Compliance Checklist

- .01 The compliance testing section consists of a General Compliance Checklist (questionnaire) for identifying laws and regulations for compliance testing and supplements for the laws OMB requires auditors of CFO Act agencies to test for (see section 295 H) and other laws of general applicability auditors may consider during federal financial audits. The compliance supplements provide detailed guidance for assessing the effectiveness of compliance controls and testing compliance with the significant provisions of each law.
- .02 The General Compliance Checklist (Form 802), or equivalent, generally should be completed for federal financial audits. If an individual law is considered to be significant for purposes of compliance testing, the related supplement should be completed. Supplements should be completed only for laws required to be tested for CFO Act agencies and for other laws identified for compliance testing on the General Compliance Checklist. Use of these documents is described below.
- .03 To understand and evaluate compliance controls, the auditor also should follow the guidance in FAM 260 on identifying risk factors and in FAM 320 on understanding information systems. The FAM also provides additional guidance on compliance considerations for all audit phases.

INSTRUCTIONS FOR GENERAL COMPLIANCE CHECKLIST

- .04 The checklist contains a summary of each law. The auditor generally should use this checklist or equivalent to determine which of these laws are considered to be significant for purposes of testing compliance, as discussed in FAM 245. The auditor should indicate whether each law meets the criteria for significance by placing a check mark in the appropriate column (yes or no). OMB audit guidance requires auditors of CFO Act agencies to test for five of the laws, as noted in section 295 H. Auditors also may test for the other four laws if they have determined they are material to the financial statements being audited.
- .05 The auditor may need to use estimates or interim information in the preliminary column. The final amounts (based on the audited amounts or the final amounts of available budget authority) are used to determine whether all laws that would be significant in quantitative terms have been identified for control and compliance testing. The sources of all amounts included in this checklist should be documented. If the law is considered to be significant from a qualitative standpoint, the reasons for this conclusion should be documented.

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.06 Supplements to the General Compliance Checklist (Form 802)

<u>Law</u>	<u>Supplement number</u>
Antideficiency Act (required for CFO Act agencies)	803
Federal Credit Reform Act of 1990 (required for CFO Act agencies)	808
Provisions Governing Claims of the U.S. Government as provided primarily in 31 U.S.C. 3711-3720E (Including the Debt Collection Improvement Act of 1996 (DCIA)) (required for CFO Act agencies)	809
Prompt Payment Act (required for CFO Act agencies)	810
Pay and Allowance System for Civilian Employees as Provided Primarily in Chapters 51-59 of Title 5, U.S. Code (required for CFO Act agencies)	812
Civil Service Retirement Act	813
Federal Employees Health Benefits Act	814
Federal Employees' Compensation Act	816
Federal Employees' Retirement System Act of 1986	817

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Entity _____

Period of financial statements _____

Job code _____

Description of Law	Yes	No									
<p>Antideficiency Act - 31 U.S.C. 1341, 1342, 1514, 1517</p> <p>This law imposes restrictions on the amounts of budgetary authority that may be obligated or expended. As discussed in FAM 250, the auditor should obtain information on the entity's budget authority, from sources such as appropriation legislation, and identify all legally binding restrictions on budget execution.</p> <p>Do the amounts of any legally binding budget execution restrictions on budget authority in effect during the audit period exceed planning materiality or are provisions of the Antideficiency Act otherwise considered to be significant?</p> <p>(OMB audit guidance requires auditors of CFO Act agencies to test for compliance with this law.)</p> <table data-bbox="349 1192 1117 1459"> <thead> <tr> <th></th> <th><u>Preliminary</u></th> <th><u>Final</u></th> </tr> </thead> <tbody> <tr> <td>Individual appropriations budget authority</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Planning materiality</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table> <p>If yes, complete compliance supplement 803.</p>		<u>Preliminary</u>	<u>Final</u>	Individual appropriations budget authority	_____	_____	Planning materiality	_____	_____	<p>_____</p>	<p>_____</p>
	<u>Preliminary</u>	<u>Final</u>									
Individual appropriations budget authority	_____	_____									
Planning materiality	_____	_____									

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Description of Law	Yes	No									
<p>Federal Credit Reform Act of 1990 (FCRA), 2 U.S.C. 661-661f</p> <p>This law contains numerous provisions relating to the recording of activity related to direct loans, loan guarantees, and related modifications for budget accounting purposes. The law provides that after October 1, 1991, an agency may incur new direct loan obligations or make new loan guarantee commitments only to the extent that Congress has provided budget authority to cover the costs of the loan or loan guarantee.</p> <p>Does the entity's budget authority available during the audit period for direct loan obligations, loan guarantee commitments, or any related modifications exceed planning materiality or are provisions of the FCRA of 1990 otherwise considered to be significant?</p> <p>(OMB audit guidance requires auditors of CFO Act agencies to test for compliance with this law.)</p> <table data-bbox="779 1113 1161 1491"> <tr> <td></td> <td style="text-align: center;"><u>Preliminary</u></td> <td style="text-align: center;"><u>Final</u></td> </tr> <tr> <td>Total appropriations or other budget authority available during the fiscal year for costs of FCRA activities (direct loans, loan guarantees, and related modifications)</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>Planning materiality</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> </table> <p>If yes, complete compliance supplement 808.</p>		<u>Preliminary</u>	<u>Final</u>	Total appropriations or other budget authority available during the fiscal year for costs of FCRA activities (direct loans, loan guarantees, and related modifications)	_____	_____	Planning materiality	_____	_____	_____	_____
	<u>Preliminary</u>	<u>Final</u>									
Total appropriations or other budget authority available during the fiscal year for costs of FCRA activities (direct loans, loan guarantees, and related modifications)	_____	_____									
Planning materiality	_____	_____									

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Description of Law	Yes	No
<p>Provisions Governing Claims of the U.S. Government, Including the Debt Collection Improvement Act of 1996 (DCIA)</p> <p>These provisions address the collection of amounts owed to the federal government. Interest generally accrues from the date that a notice stating the amount due and the interest policies is first mailed to the debtor. Interest generally accrues at a rate established by the Secretary of the Treasury. Administrative costs and penalties shall also be charged.</p> <p>The provisions also require the entity to take all appropriate steps to collect the debt before discharging it and to notify Treasury about delinquent debt for administrative offset, collection by a debt collection center, or tax refund offset. Entities shall also participate in a computer match of delinquent debt with federal employees, and when collection actions are terminated, the entity holding delinquent debt shall sell it. Provisions also require the entity (or entities making loans the government guarantees) to notify credit-reporting agencies about delinquent debt and not make or guarantee loans to persons who owe delinquent debt.</p> <p>Does the cumulative amount of receivables created during the audit period that are subject to provisions governing claims of the U.S. government, including DCIA, exceed planning materiality; does the amount of receivables at the end of the audit period that are subject to provisions governing claims of the U.S. government, including DCIA, exceed planning materiality; or are provisions governing claims of the U.S. government, including the DCIA, otherwise considered to be significant?</p> <p>(OMB audit guidance requires auditors of CFO Act agencies to test for compliance with this law.)</p> <p>(continued on next page)</p>	<p>_____</p>	<p>_____</p>

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Description of Law	Yes	No															
<p>Provisions Governing Claims of the U.S. Government, Including the Debt Collection Improvement Act of 1996 (DCIA)</p> <p>(continued)</p> <table data-bbox="300 541 1071 1218"> <thead> <tr> <th></th> <th><u>Preliminary</u></th> <th><u>Final</u></th> </tr> </thead> <tbody> <tr> <td>Cumulative amount of receivables created during the audit period that are subject to provisions governing claims of the U.S. government, including DCIA</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>or:</td> <td></td> <td></td> </tr> <tr> <td>Amount of receivables at the end of the audit period that are subject to provisions governing claims of the U.S. government, including DCIA</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Planning materiality</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table> <p>If yes, complete compliance supplement 809.</p> <p>Note: These provisions of the law generally do not apply to amounts payable to the entity under the Internal Revenue Code, the Social Security Act, or tariff laws. Those laws contain specific provisions for these amounts.</p>		<u>Preliminary</u>	<u>Final</u>	Cumulative amount of receivables created during the audit period that are subject to provisions governing claims of the U.S. government, including DCIA	_____	_____	or:			Amount of receivables at the end of the audit period that are subject to provisions governing claims of the U.S. government, including DCIA	_____	_____	Planning materiality	_____	_____		
	<u>Preliminary</u>	<u>Final</u>															
Cumulative amount of receivables created during the audit period that are subject to provisions governing claims of the U.S. government, including DCIA	_____	_____															
or:																	
Amount of receivables at the end of the audit period that are subject to provisions governing claims of the U.S. government, including DCIA	_____	_____															
Planning materiality	_____	_____															

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Description of Law	Yes	No									
<p>Prompt Payment Act, 31 U.S.C. 3901 et seq.</p> <p>The Prompt Payment Act requires federal entities to make payments for property or services by the due date specified in the related contract or, if a payment date is not specified in the contract, generally 30 days after the invoice for the amount due is received. If payments are not made within the appropriate period, the entity shall pay an interest penalty. Also, discounts offered by vendors may be taken only during the specified period. If they are taken after the time period has expired, an interest penalty shall be paid.</p> <p>Do the entity's payments for property or services subject to the Prompt Payment Act for the audit period exceed planning materiality or are provisions of the Prompt Payment Act otherwise considered to be significant?</p> <p>(OMB audit guidance requires auditors of CFO Act agencies to test for compliance with this law.)</p> <table data-bbox="349 1081 1161 1354" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Preliminary</u></th> <th style="text-align: center;"><u>Final</u></th> </tr> </thead> <tbody> <tr> <td>Amount of payments made for property and services subject to the Prompt Payment Act</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>Planning materiality</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> </tbody> </table> <p>If yes, complete compliance supplement 810.</p>		<u>Preliminary</u>	<u>Final</u>	Amount of payments made for property and services subject to the Prompt Payment Act	_____	_____	Planning materiality	_____	_____	_____	_____
	<u>Preliminary</u>	<u>Final</u>									
Amount of payments made for property and services subject to the Prompt Payment Act	_____	_____									
Planning materiality	_____	_____									

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Description of Law	Yes	No									
<p>Pay and Allowance System for Civilian Employees as Provided Primarily in Chapters 51-59 of Title 5, U.S. Code</p> <p>These laws require that employees be paid at the appropriate rates established by law, including general pay increases, and that employees be paid at least minimum wage.</p> <p>Does the entity's payroll expense for the audit period exceed planning materiality or are related provisions of the Pay and Allowance System for Civilian Employees (as provided primarily in Chapters 51-59 of Title 5, U.S. Code) otherwise considered to be significant?</p> <p>(OMB audit guidance requires auditors of CFO Act agencies to test for compliance with this law.)</p> <table data-bbox="300 934 1096 1123" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th></th> <th style="text-align: center;"><u>Preliminary</u></th> <th style="text-align: center;"><u>Final</u></th> </tr> </thead> <tbody> <tr> <td>Payroll expense</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> <tr> <td>Planning materiality</td> <td style="text-align: center;">_____</td> <td style="text-align: center;">_____</td> </tr> </tbody> </table> <p>If yes, complete compliance supplement 812.</p> <p>It is not expected that the entity's expense for performance awards, cash awards, overtime, travel, transportation, subsistence, or allowances for the audit period would exceed planning materiality. However, if these items or related provisions of the Pay and Allowance System for Civilian Employees are otherwise considered to be significant, the auditor should consult with the Office of General Counsel (OGC) for specific provisions to be considered for compliance testing.</p>		<u>Preliminary</u>	<u>Final</u>	Payroll expense	_____	_____	Planning materiality	_____	_____	<p>_____</p>	<p>_____</p>
	<u>Preliminary</u>	<u>Final</u>									
Payroll expense	_____	_____									
Planning materiality	_____	_____									

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Description of Law	Yes	No									
<p>Civil Service Retirement Act, 5 U.S.C. 8331 et seq.</p> <p>This law provides retirement benefits to employees who were hired prior to January 1, 1984. For each employee, the entity withholds a percentage of basic pay from the employee's compensation and contributes an equal amount for retirement. The employee and entity amounts are remitted to Treasury.</p> <p>Does the entity's expense for retirement costs under the Civil Service Retirement Act for the audit period exceed planning materiality or are provisions of the Civil Service Retirement Act otherwise considered to be significant?</p> <table data-bbox="349 829 1144 1050"> <thead> <tr> <th></th> <th><u>Preliminary</u></th> <th><u>Final</u></th> </tr> </thead> <tbody> <tr> <td>Expense for retirement contributions</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Planning materiality</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table> <p>If yes, complete compliance supplement 813.</p>		<u>Preliminary</u>	<u>Final</u>	Expense for retirement contributions	_____	_____	Planning materiality	_____	_____	<p>_____</p>	<p>_____</p>
	<u>Preliminary</u>	<u>Final</u>									
Expense for retirement contributions	_____	_____									
Planning materiality	_____	_____									

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Description of Law	Yes	No
<p>Federal Employees Health Benefits Act, 5 U.S.C. 8901 et seq.</p> <p>This law provides health insurance coverage to employees who elect health insurance benefits. For each employee who elects coverage, the entity pays an amount set by OPM for insurance costs. The entity portion cannot exceed 75 percent of the insurance cost. The employee pays the remainder of the total cost. Information on the employee and entity cost of the insurance is published by OPM. The entity withholds the amount of the employee's portion of the cost from the employee's pay and remits this amount, along with its own contribution, to Treasury.</p> <p>Does the entity's expense for health insurance costs for the audit period exceed planning materiality or are provisions of the Federal Employees Health Benefits Act otherwise considered to be significant?</p> <p style="text-align: right;"> <u>Preliminary</u> <u>Final</u> </p> <p>Expense for health insurance _____ _____</p> <p>Planning materiality _____ _____</p> <p>If yes, complete compliance supplement 814.</p>	<p>_____</p>	<p>_____</p>

Compliance
802 - General Compliance Checklist

Description of Law	Yes	No									
<p>Federal Employees' Retirement System Act of 1986, 5 U.S.C. 8401 et seq.</p> <p>This law provides retirement benefits for employees who were hired after December 31, 1983. For each employee, the entity withholds a percentage of basic pay from the employee's compensation and contributes an amount equal to the employing agency's applicable normal cost percentage less the employee deduction rate for retirement. The employee and entity amounts are remitted to Treasury.</p> <p>Does the entity's expense for retirement costs under the Federal Employees' Retirement System Act for the audit period exceed planning materiality or are provisions of the Federal Employees' Retirement System Act of 1986 otherwise considered to be significant?</p> <table data-bbox="300 966 1104 1197"> <thead> <tr> <th></th> <th><u>Preliminary</u></th> <th><u>Final</u></th> </tr> </thead> <tbody> <tr> <td>Expense for retirement contributions</td> <td>_____</td> <td>_____</td> </tr> <tr> <td>Planning materiality</td> <td>_____</td> <td>_____</td> </tr> </tbody> </table> <p>If yes, complete compliance supplement 817.</p>		<u>Preliminary</u>	<u>Final</u>	Expense for retirement contributions	_____	_____	Planning materiality	_____	_____	<p>_____</p>	<p>_____</p>
	<u>Preliminary</u>	<u>Final</u>									
Expense for retirement contributions	_____	_____									
Planning materiality	_____	_____									

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Description of Law	Yes	No
<p>Other laws</p> <p>Perform the following procedures and include references to supporting documentation:</p> <ol style="list-style-type: none"> 1. As described in FAM 245.02, read the list of laws and regulations identified by the entity as significant to others. (See _____.) 2. With OGC assistance, identify any other laws or regulations that have a direct effect on determining financial statement amounts. Determine whether any such laws or regulations are material to the financial statements. (See _____.) 3. Consider whether to test compliance with any indirect laws or regulations and make inquiries of management as discussed in FAM 245.04-.06. (See _____.) 4. For all laws or regulations identified for testing above, identify significant provisions using the criteria in FAM 245.02. Test compliance controls and compliance as described in FAM 300 and 460. <p>Are any other laws or regulations identified for compliance testing?</p> <p>If yes, attach a list of the laws or regulations identified to this form and reference it to control and compliance work performed.</p>	<p>_____</p>	<p>_____</p>

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INSTRUCTIONS FOR COMPLIANCE SUPPLEMENTS

- .07 Each compliance supplement consists of (1) a compliance summary, (2) a compliance audit program, and (3) notes.

Compliance Summary

- .08 For each law identified for compliance testing on the General Compliance Checklist, the auditor generally should complete the related compliance summary or equivalent. The compliance summary is designed to assist the auditor in planning compliance control tests and summarizing the results of compliance control tests and compliance tests for reporting the results of the work performed.
- .09 The first column contains a description of the specific provisions of the law that have been identified for compliance testing, the type of provision, and the reference to the law.
- .10 The second column contains the objective related to the specific provision to be used for both compliance control and compliance testing.
- .11 The auditor should identify the control activities that the entity has in place to achieve each objective and document the control activity in the third column. If the entity does not have a control activity that achieves the objective, the auditor should document this condition in the third column.
- .12 The fourth column is used to indicate whether the control activity is information system (IS)-related as described in FAM 270.04. IS controls are those the effectiveness of which depends on computer processing. They can generally be classified into general, application, and user controls. Testing of IS controls generally should be performed by an IS auditor, although the audit team may assist the IS auditor.
- .13 The auditor should design control tests to determine whether the control activities that have been identified in the third column are in place and operating effectively. A control activity is considered to be effective if it achieves the control objective. The control testing program and the control tests should be recorded in the documentation. The results of these tests and the auditor's conclusions on the effectiveness of the compliance controls should be documented in the fifth column of the Compliance Summary. A reference to supporting documentation should be included in this column.

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- .14 Compliance tests should be performed using the related Compliance Audit Program as described below. The results of the compliance tests should be indicated in the last column of the Compliance Summary along with a reference to the supporting documentation.

Compliance Audit Program

- .15 A compliance audit program has been developed for the provisions identified on the related compliance summary for each law. For each law identified for compliance testing on the General Compliance Checklist, the auditor generally should perform each step of the related compliance audit program. Because the subject matter of some laws is closely related to matters the auditor will be planning to test for other parts of the audit, the auditor should consider coordinating with that other testing and designing multipurpose tests. For example, payroll compliance testing could be performed using multipurpose tests of payroll controls and/or substantive payroll testing. The auditor generally should initial in the "performed by" column of the compliance audit program when he or she performs the procedure. A reference to the documentation recording the work performed for each step generally should be included in the last column of the compliance audit program.

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Compliance

803 - ANTIDEFICIENCY ACT

Note: Complete this compliance summary or prepare equivalent documentation only if provisions of the Antideficiency Act are considered to be significant as indicated on Form 802 - General Compliance Checklist.

OMB guidance on budget execution, including the Antideficiency Act, is included in OMB Circular A-11, Part 4.

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>			Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?	
1. The entity shall not make expenditures or obligations that exceed the amount available for expenditure or obligation in an appropriation or fund. Type: Quantitative-based Ref: 31 U.S.C. 1341(a)(1)(A) and (C)	1. Expenditures or obligations do not exceed the amount available for expenditure or obligation in an appropriation or fund.	[Document the control activities used by the entity to achieve the objective.] (See note 2.)	[Is control dependent on computer processing?]	[Indicate yes or no; include reference to supporting documentation.]	[Indicate yes or no; include reference to supporting documentation.] See Compliance Audit Program 803 Step 3.	

Compliance
803 - Antideficiency Act

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>			Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?	
2. The entity shall not make expenditures or obligations that exceed (1) the amount of an apportionment; or (2) a lesser amount, if any, established by agency regulations (such as the allotment level). See note 1. Type: Quantitative-based Ref: 31 U.S.C. 1517(a)	2. Expenditures or obligations do not exceed the legally binding limit on the entity's budget authority. (The amount of the apportionment or a lesser amount, if any, established by the entity's regulations.) See note 1.	(See note 2.)			See Compliance Audit Program 803 Step 4.	

Compliance
803 - Antideficiency Act

Note: Complete this program or prepare equivalent documentation only if provisions of the Antideficiency Act are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary for this law.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>1. List the appropriations or other budget authority and the related budget accounts that were identified for compliance testing on Form 802 - General Compliance Checklist. Per page 802-2, the auditor should identify all legally binding restrictions on budget execution, from sources such appropriation legislation.</p> <p>(The following tests for compliance with the Antideficiency Act should be coordinated with tests of the Statement of Budgetary Resources and with tests of expenses.)</p>		

Compliance
803 - Antideficiency Act

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>2. As discussed in FAM 460.03, the auditor needs assurance that the summarized budget information (obligations and expenditures) used for compliance tests is reasonably accurate and complete. This assurance may be provided through effective controls (usually the budget controls) or, if the controls are not effective, through substantive testing of budget amounts for validity, completeness, cutoff, recording, classification, and summarization as described in FAM 495 B.</p> <p>For the accounts listed in step 1, document if this assurance is provided through effective controls (as indicated on Form 803 - Compliance Summary) or if substantive tests of the budget information are necessary.</p> <p>If the controls are not considered to be effective in meeting some or all of the budget control objectives listed in FAM 395 F, perform substantive tests of the budget amounts (obligations and expenditures) as discussed in FAM 495 B. These substantive tests should be performed only for those potential misstatements for which the entity does not have effective budget controls.</p> <p>After the auditor is satisfied as to the reasonableness of the budget amounts to be used for the compliance tests, perform the compliance tests in steps 3 and 4.</p>		
<p>3. Compare the actual amounts of budget obligations and expenditures with the related <u>appropriation or other budget authority</u> listed in step 1. If the entity does not appear to have complied with the provision, perform step 5. (31 U.S.C. 1341(a)(1)(A) and (C))</p>		

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>4. Determine the entity's legally binding level of budget authority (below the appropriation level) that was identified during the planning phase. This level is usually the apportionment level unless the entity has elected a lower level, such as allotments.</p> <p>Compare the amount of actual obligations and expenditures to the legally binding level of restrictions on budget authority identified for compliance testing (the apportionment or allotment level). If the entity does not appear to have complied with the provision, perform step 5. (31 U.S.C. 1517(a))</p>		
<p>5. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, the Special Investigator Unit to conclude if noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"> • identify the weakness in controls that allowed the noncompliance to occur, if not previously identified during control testing; • report the nature of any weakness in controls and consider modification of the opinion on internal control as appropriate (see FAM 580.32-.61); • consider the implications of any instances of noncompliance on the financial statements; and • report instances of noncompliance, as appropriate (see FAM 580.67-.75.). 		

Compliance
803 - Antideficiency Act

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
6. Document conclusions on compliance with each provision on Form 803 - Compliance Summary.		

Compliance
803 - Antideficiency Act

- Note 1: Entities are required to establish regulations that provide for a system of administrative controls over their execution of budget authority (31 U.S.C. 1514(a)). As discussed in FAM 250.03, the entity may elect to lower the level at which budget limitations are legally binding in these regulations. For example, the entity may elect to reduce the legally binding limit on the obligation and expenditure of budget funds from the apportionment to the allotment level. The auditor should determine the level at which the entity's legally binding limit has been established.
- Note 2: The auditor should consider the results of the evaluation and testing of budget controls. These controls relate to the execution of budget authority and usually are the same controls that are used to comply with the Antideficiency Act. Accordingly, additional consideration of controls that achieve the compliance objective generally is not necessary if the auditor has assessed whether the entity achieves all of the budget control objectives listed in FAM 395 F. The auditor should reference this compliance summary to the budget control evaluation and testing and perform any additional procedures considered necessary to conclude if compliance controls are effective.

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Compliance

808 - FEDERAL CREDIT REFORM ACT OF 1990

Note: Complete this compliance summary or prepare equivalent documentation only if provisions of the Federal Credit Reform Act of 1990 (FCRA) are considered to be significant as indicated on Form 802 - General Compliance Checklist.

OMB guidance on FCRA is included in OMB Circular A-11, part 5, *Federal Credit Programs*.

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>			Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?	
1. Direct loan obligations may be incurred on or after October 1, 1991, only to the extent that an appropriation or other budget authority is available to cover these costs. (See notes 1, 2, and 5-7.) Type: Quantitative-based Ref: 2 U.S.C. 661c(b)	1. Direct loan obligations made on or after October 1, 1991, do not exceed the available appropriation or other budget authority. (See notes 1, 2, and 5-7.)	[Document the control activities used by the entity to achieve the objective.] (See note 10.)	[Is control dependent on computer processing?]	[Indicate yes or no; include reference to supporting documentation.]	[Indicate yes or no; include reference to supporting documentation.] See Compliance Audit Program 808 Steps 3 and 4.	

Compliance

808 - Federal Credit Reform Act of 1990

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>			Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?	
<p>2. A direct loan obligation or outstanding direct loan shall not be modified in a manner that increases its cost unless budget authority for the additional cost is available. (See notes 5 and 8.) (See note 9 for matters to discuss with OGC prior to testing.)</p> <p>Type: Quantitative-based Ref: 2 U.S.C. 661c(e)</p>	<p>2. Modifications made to direct loan obligations or outstanding direct loans do not exceed the available budget authority. (See notes 5, 8, and 9.)</p>	(See note 10.)			See Compliance Audit Program 808 Step 3.	
<p>3. Loan guarantee commitments may be made on or after October 1, 1991, only to the extent that an appropriation or other budget authority is available to cover these costs. (See notes 3 to 7.)</p> <p>Type: Quantitative-based Ref: 2 U.S.C. 661c(b)</p>	<p>3. Obligations for new loan guarantee commitments made on or after October 1, 1991, do not exceed the available appropriation or other budget authority. (See notes 3 to 7.)</p>	(See note 10.)			See Compliance Audit Program 808 Steps 3 and 4.	

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Name of entity: _____ <u>Compliance Summary</u> Prepared by: _____ Audit period: _____ Reviewed by: _____					
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?
4. A loan guarantee commitment or outstanding loan guarantee shall not be modified in a manner that increases its cost unless budget authority for the additional cost is available. (See notes 5 and 8.) (See note 9 for matters to discuss with OGC prior to testing.) Type: Quantitative-based Ref: 2 U.S.C. 661c(e)	4. Modifications made to loan guarantee commitments or outstanding loan guarantees do not exceed the available budget authority. (See notes 5, 8, and 9.)	(See note 10.)			See Compliance Audit Program 808 Step 3.

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Note: Complete this program or prepare equivalent documentation only if provisions of the Federal Credit Reform Act (FCRA) are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

OMB guidance on FCRA is included in OMB Circular A-11, part 5, *Federal Credit Programs*.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
1. List the appropriations or other budget authority and the related budget accounts that were identified for compliance testing on Form 802 - General Compliance Checklist.		

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>2. As discussed in FAM 460.03, the auditor needs assurance that the summarized budget information (obligations and expenditures) used for compliance tests is reasonably accurate and complete. This assurance may be provided through effective controls (usually the budget controls) or, if the controls are not effective, through substantive testing of budget amounts for validity, completeness, cutoff, recording, classification, and summarization as described in FAM 495 B.</p> <p>For the accounts listed in step 1, document whether this assurance is provided through effective controls (as indicated on Form 808 - Compliance Summary) or whether substantive tests of the budget information are necessary.</p> <p>If the controls are not considered to be effective in meeting some or all of the budget control objectives listed in FAM 395 F, plus the supplemental objectives for FCRA listed in FAM 395 F Sup, perform substantive tests of the budget amounts (obligations and expenditures) as discussed in FAM 495 B. These substantive tests should be performed only for those potential misstatements for which the entity does not have effective budget controls.</p> <p>After the auditor is satisfied as to the reasonableness of the budget amounts to be used for the compliance tests, perform the compliance tests in steps 3 and 4.</p>		

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>3. For each appropriation account or other budget authority listed in step 1, perform the following procedures that are applicable for direct and guaranteed loan programs that have a positive subsidy (i.e., cash outflows exceed cash inflows); (for direct and guaranteed loan programs that have a negative subsidy (i.e., cash inflows exceed cash outflows), perform step 4):</p> <p style="padding-left: 40px;">(a) Compare the amount of obligations for direct loans to the amount of the available appropriation or other budget authority. (Note: This budget restriction is applicable only to obligations for direct loans made on or after October 1, 1991.)</p>		
<p>3. (b) Compare the amount of obligations for modifications of direct loan obligations or outstanding direct loans to the amount of available budget authority. (Note: The sale of a direct loan is considered a modification. Discuss applicability of this budget restriction to direct loans and direct loan obligations that were outstanding prior to October 1, 1991, with OGC prior to performing compliance test.)</p>		
<p>3. (c) Compare the amount of obligations for loan guarantee commitments to the amount of the available appropriation or other budget authority. (Note: This budget restriction is only applicable to obligations for loan guarantee commitments made on or after October 1, 1991.)</p>		

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>3. (d) Compare the amount of obligations for modifications of loan guarantee commitments or outstanding loan guarantees to the amount of available budget authority. (Note: Discuss applicability of this budget restriction to loan guarantees and loan guarantee commitments that were outstanding prior to October 1, 1991, with OGC prior to performing compliance test.) (2 U.S.C. 661c(b) and (e))</p> <p>If the amounts of obligations in any of these comparisons exceed the available budget authority, the entity may not be in compliance. Perform step 5.</p>		
<p>4. Direct and guaranteed loan programs that have a negative subsidy (cash inflows exceed cash outflows) do not receive an appropriation. However, such programs have a loan limit that cannot be exceeded, i.e., a maximum number of loans that can be made or guaranteed. For these programs, compare the total number and dollar volume of loans made to the loan limit in the applicable Presidents' Budget. Perform step 5.</p>		

Compliance
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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>5. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, the Special Investigator Unit to conclude if noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"> • identify the weakness in controls that allowed the noncompliance to occur, if not previously identified during control testing; • report the nature of any weakness in controls and consider modification of the report on internal control as appropriate (see FAM 580.32-.61); • consider the implications of any instances of noncompliance on the financial statements; and • report instances of noncompliance, as appropriate (see FAM 580.67-.75). 		
<p>6. Document conclusions on compliance with each provision on Form 808 - Compliance Summary.</p>		

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- Note 1: A direct loan is a disbursement of funds by the government to a non-federal borrower under a contract that requires the repayment of such funds with or without interest. The term also includes the purchase of, or participation in, a loan made by another lender. The term does not include the acquisition of a federally guaranteed loan in satisfaction of default claims or the price support loans of the Commodity Credit Corporation. (2 U.S.C. 661a(1))
- Note 2: A direct loan obligation is a binding agreement by a federal agency to make a direct loan when specified conditions are fulfilled by the borrower. (2 U.S.C. 661a(2))
- Note 3: A loan guarantee is any guarantee, insurance, or other pledge with respect to the payment of all or a part of the principal or interest on any debt obligation of a nonfederal borrower to a nonfederal lender, but does not include the insurance of deposits, shares, or other withdrawable accounts in financial institutions. (2 U.S.C. 661a(3))
- Note 4: A loan guarantee commitment is a binding agreement by a federal agency to make a loan guarantee when specified conditions are fulfilled by the borrower, the lender, or any other party to the guarantee agreement. (2 U.S.C. 661a(4))
- Note 5: Appropriations or other budget authority to cover the cost of budget obligations for direct loan obligations and loan guarantee commitments must be made in advance by Congress. For revolving or other funds that otherwise would be available for these budget obligations, Congress must enact a limit on the use of such funds for these purposes to make them available for use. (2 U.S.C. 661c(b))
- Note 6: Costs are defined as the estimated long-term cost to the government of a direct loan or loan guarantee, calculated on a net present value basis, excluding administrative costs and any incidental effects on governmental receipts or outlays. These calculations are described in further detail under the valuation control objective for obligations in FAM 395 F. (2 U.S.C. 661a(5))
- Note 7: There is an exemption from this requirement for entitlements (mandatory programs such as the guaranteed student loan program and the VA home loan guaranty program) and credit programs of the Commodity Credit Corporation existing on the date of enactment of the act (November 5, 1990). (2 U.S.C. 661c(c))

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Note 8: Modifications are government actions that alter the estimated net present value of a direct loan or loan guarantee for which an obligation has been recorded, for example, the sale of a direct loan, per SFFAS No. 2, paragraph 53, or a policy change affecting the repayment period or interest rate for a group of existing loans. (Changes within the terms of existing contracts or through other existing authorities are not considered to be modifications. Also, "work outs" of individual loans, such as a change in the amount or timing of payments to be made, are not considered modifications.) The effects of these changes should be included in the annual reestimates of the estimated net present value of the obligations. Permanent indefinite authority is provided by FCRA for these reestimates.

Note 9: Discuss applicability of this budget restriction to direct loans, direct loan obligations, loan guarantees, or loan guarantee commitments that were outstanding prior to October 1, 1991, with OGC prior to performing control or compliance tests.

Note 10: The auditor should consider the results of the evaluation and testing of budget controls and testing of the Statement of Budgetary Resources. These controls relate to the execution of budget authority and usually are the same controls that are used to comply with the Antideficiency Act and the Federal Credit Reform Act. Accordingly, additional consideration of controls that achieve the compliance objective generally is not necessary if the auditor has assessed whether the entity achieves all of the budget control objectives listed in FAM 395 F, including the supplemental control objectives for the Federal Credit Reform Act. The auditor should reference to the budget control evaluation and testing and perform any additional procedures considered necessary to conclude if compliance controls are effective.

Compliance

809 - PROVISIONS GOVERNING CLAIMS OF THE U.S. GOVERNMENT (31 U.S.C. 3711-3720E) (INCLUDING THE DEBT COLLECTION IMPROVEMENT ACT OF 1996 (DCIA))

Note: Complete this compliance summary or prepare equivalent documentation only if provisions governing claims of the U.S. government, as provided primarily in sections 3711-3720E of Title 31, U.S. Code (including provisions of the Debt Collection Improvement Act of 1996), are considered significant, as indicated on Form 802 - General Compliance Checklist.

Name of entity: _____		<u>Compliance Summary</u>		Prepared by: _____	
Audit period: _____				Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?
<p>1. Interest shall be charged on an outstanding debt (or claim) owed to the entity. Interest accrues from the date the notice of the amount due and interest policies is first mailed to the debtor. Interest is charged at the rate established by the Secretary of the Treasury that is in effect on that date. The rate remains fixed at that rate for the duration of the indebtedness. (See notes 1, 2, and 3.)</p> <p>Type: Transaction-based Ref: 31 U.S.C. 3717(a), (b), and (c)</p>	<p>1. Interest is properly calculated and charged on past due amounts owed to the entity at the correct rates. (See notes 1, 2, and 3.)</p>	<p>[Document the control activities used by the entity to achieve the objective.]</p>	<p>[Is control dependent on computer processing?]</p>	<p>[Indicate yes or no; include reference to supporting documentation.]</p>	<p>[Indicate yes or no; include reference to supporting documentation.]</p> <p>See Compliance Audit Program 809 Steps 3 (a), (b), and (c).</p>

Compliance

809 - Provisions Governing Claims of the U.S. Government (31 U.S.C. 3711-3720E) (Including the Debt Collection Improvement Act of 1996 (DCIA))

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>			Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?	
<p>2. The entity shall assess, on a claim owed to it, a charge to cover the cost of processing and handling a delinquent claim plus a penalty charge (of not more than 6 percent a year) for failure to pay a part of a claim more than 90 days past due. These additional charges do not accrue interest. (See note 3.)</p> <p>Type: Transaction-based Ref: 31 U.S.C. 3717(e) and (f)</p>	<p>2. Administrative charges and late payment penalties are properly calculated and charged on past due amounts. (See note 3.)</p>				See Compliance Audit Program 809 Step 3(d).	
<p>3. The entity may compromise, terminate, or suspend claims that are not more than \$100,000. Claims of more than \$100,000 (excluding interest, penalties, and administrative costs) shall be referred to the Justice Department for compromise, termination, or suspension. (See note 4.)</p> <p>Type: Procedural-based Ref: 31 U.S.C. 3711(a)</p>	<p>3. Claims of more than \$100,000 (excluding interest, penalties, and administrative costs) are referred to the Justice Department for compromise, termination, or suspension. (See note 4.)</p>				See Compliance Audit Program 809 Step 5(a).	

Compliance

809 - Provisions Governing Claims of the U.S. Government (31 U.S.C. 3711-3720E) (Including the Debt Collection Improvement Act of 1996 (DCIA))

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>			Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?	
<p>4. If the entity is owed a valid and legally enforceable, nontax debt delinquent over 180 days, and there are no bars to collection, it shall notify Treasury about the debt for administrative offset and refer the debt to Treasury or a Treasury-designated debt collection center for collection action. (See notes 5, 6, and 7.)</p> <p>Type: Procedural-based Ref: 31 U.S.C. 3711(g)(1) and (9), 31 U.S.C. 3716(c)(6), 31 U.S.C. 3719 (a), 31 U.S.C. 3720A(a), and 5 U.S.C. 5514(a)(1).</p>	<p>4. When nontax debt becomes delinquent over 180 days, it is referred to Treasury for administrative offset and collection. (See notes 5, 6, and 7.)</p>				See Compliance Audit Program 809 Step 5(b).	
<p>5. Unless waived by the entity, a person may not obtain any loan (other than a disaster loan) or loan insurance or guarantee administered by the entity if the person has outstanding nontax delinquent federal debt. (Delinquency is determined by Treasury regulations.)</p> <p>Type: Transaction-based Ref: 31 U.S.C. 3720B</p>	<p>5. Loans and loan insurance or guarantees are not granted to persons with delinquent nontax debt.</p>				See Compliance Audit Program 809 Step 4(b).	

Compliance**809 - Provisions Governing Claims of the U.S. Government (31 U.S.C. 3711-3720E) (Including the Debt Collection Improvement Act of 1996 (DCIA))**

Note: Complete this program or prepare equivalent documentation only if provisions governing claims of the United States government as provided primarily in sections 3711-3720E of Title 31, U.S. Code (including provisions of the Debt Collection Act of 1996) are considered significant, as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

Name of entity: _____ Audit period: _____ Reviewed by: _____		
Audit Procedures	Done by/date	W/P ref
1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 809 - Compliance Summary), select a sample of amounts owed to the entity during or at the end of the audit period. (The sample size will vary based on the expected effectiveness of compliance controls, as discussed in FAM 460.02). Document the sampling approach using the documentation in FAM section 495 E. See note 8 regarding sampling efficiencies and completeness of the sample population. Sample size _____ Sample selection method _____		

Compliance**809 - Provisions Governing Claims of the U.S. Government (31 U.S.C. 3711-3720E) (Including the Debt Collection Improvement Act of 1996 (DCIA))**

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>2. For each item selected in step 1 obtain the loan file or other supporting documentation and note the following information as of the date selected for testing:</p> <ul style="list-style-type: none">• due date of debt;• amount owed;• date the notice of the amount due and the interest policies is first mailed to the debtor;• amount of interest accrued and other administrative charges and penalties charged, if any; and• number of days the debt is past due, if any. <p>Perform step 3 if the debt is past due. Perform step 4 if the debt is not past due.</p>		
<p>3. If the amount selected is past due:</p> <p>(a) Calculate the number of days that interest should be accrued on the debt as of the date selected for testing. Interest generally accrues from the date that the notice of the amount due is first mailed to the debtor. (See note 1.) Compare the auditor's calculation with the calculation performed by the entity and obtain explanation and examine support for any differences. (31 U.S.C. 3717(b))</p>		

Compliance**809 - Provisions Governing Claims of the U.S. Government (31 U.S.C. 3711-3720E) (Including the Debt Collection Improvement Act of 1996 (DCIA))**

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
3. (b) Determine the interest rate that should be used to accrue interest on the debt. The rate is published in the <i>Federal Register</i> and should be the rate that was in effect on the date that the notice of the amount due is first mailed to the debtor. (The web site for the <i>Federal Register</i> is: http://www.access.gpo.gov/su_docs/aces/aces140.html .) Compare the auditor's determination of the rate to the rate used by the entity and obtain explanation and examine support for any differences. (31 U.S.C. 3717(a) and (c))		
3. (c) Calculate the amount of interest that should be owed as of the date selected for testing using the number of days tested in (a) and the interest rate tested in (b). Compare the auditor's calculation to the amount calculated by the entity and obtain explanation and examine support for any differences. See notes 2 and 3 regarding the waiver of interest.		
3. (d) Obtain the entity's schedule of administrative charges and late payment penalties and determine if the appropriate amounts were charged to the debtor. See note 3 regarding the waiver of these charges. (31 U.S.C. 3717(e) and (f))		

Compliance

809 - Provisions Governing Claims of the U.S. Government (31 U.S.C. 3711-3720E) (Including the Debt Collection Improvement Act of 1996 (DCIA))

Name of entity: _____ Audit period: _____ Reviewed by: _____		
Audit Procedures	Done by/date	W/P ref
<p>4. If the debt is not past due, determine through examination of the entity's records whether</p> <p>(a) interest, administrative charges, or penalties are not being charged; and</p> <p>(b) the debtor had no outstanding nontax delinquent federal debt at the time the loan was obtained. (31 U.S.C. 3720 B)</p>		
<p>5. The objectives listed below relate to procedural-based provisions. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for these procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provisions related to the following objectives unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 809 - Compliance Summary.</p> <p>(a) Claims of more than \$100,000 (excluding interest, penalties, and administrative costs) are referred to the Justice Department for compromise, termination, or suspension. See note 4. (31 U.S.C. 3711)</p> <p>(b) Claims delinquent for a period of 180 days have been referred to Treasury for collection. See notes 5, 6, and 7. (31 U.S.C. 3711 (g))</p>		

Compliance**809 - Provisions Governing Claims of the U.S. Government (31 U.S.C. 3711-3720E) (Including the Debt Collection Improvement Act of 1996 (DCIA))**

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>6. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, the Special Investigator Unit to conclude if noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">• identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;• report the nature of any weakness in compliance controls and consider modification of the conclusion on internal control as appropriate (see FAM 580.32-.61);• consider the implications of any instances of noncompliance on the financial statements; and• report instances of noncompliance, as appropriate (see FAM 580.67-.75).		
<p>7. Document conclusions on compliance with each provision on Form 809 - Compliance Summary.</p>		

Compliance**809 - Provisions Governing Claims of the U.S. Government (31 U.S.C. 3711-3720E) (Including the Debt Collection Improvement Act of 1996 (DCIA))**

Note 1: Claims are amounts owed to the government, including amounts owed for loans insured or guaranteed by the government. The term "claim" is used interchangeably with the term "debt" in this law. (31 U.S.C. 3701(b))

Interest normally accrues from the date that notice of the debt and the agency's interest policies is first mailed to the debtor. If the agency sends a bill to the debtor in advance of the due date and that bill states the interest policies, interest would accrue from the due date specified in the bill.

The provisions regarding accrual of interest and other charges do not apply to the extent that a statute, related regulation, loan agreement, or contract provides otherwise, or if a claim is under a contract executed before October 25, 1982, that is in effect on October 25, 1982. (31 U.S.C. 3717(g)) Accrual of interest and penalties under this law does not apply to amounts owed by other agencies of the federal government, a state government or a unit of general local government or to amounts payable to the entity under the Internal Revenue Code, the Social Security Act, or tariff laws. (31 U.S.C. 3701 (c) and (d)) This law, however, does not preclude the charging of interest to state and local governments under authority provided under other laws.

Note 2: The entity shall waive the collection of interest on a claim (or any portion of the claim) that is paid within 30 days after the date on which interest began to accrue. The agency may extend this 30-day period. (31 U.S.C. 3717(d)) Interest that is either accrued or collected on claims that are paid within the 30-day period would usually not be material or otherwise significant for purposes of compliance testing. If the auditor considers this provision to be significant for compliance testing, this form should be tailored to include the appropriate testing procedures.

Note 3: The entity has the authority to waive the collection of interest, penalties, and administrative charges. The entity should follow its own regulations when determining whether a waiver is appropriate. Such regulations should be in conformity with the standards set jointly by the Comptroller General, the Attorney General, and the Secretary of the Treasury described in 31 CFR 901.9. (31 U.S.C. 3717(h))

The entity may increase an administrative claim (debt not based on an extension of government credit through direct loans, guarantees, or insurance, including fines, penalties, and overpayments) annually by the

Compliance**809 - Provisions Governing Claims of the U.S. Government (31 U.S.C. 3711-3720E) (Including the Debt Collection Improvement Act of 1996 (DCIA))**

cost of living adjustment in lieu of charging interest and penalties. (31 U.S.C. 3717(i))

Note 4: Compromise is the term used when an amount less than the total amount of the claim is accepted by the entity as payment in full. Suspension refers to the temporary deferral of collection activities until collection activity is expected to be more successful. Termination refers to stopping of collection activities.

Only the Justice Department has the authority to compromise, terminate, or suspend collection on claims that are greater than \$100,000 (excluding interest, penalties, and administrative charges). Pursuant to 31 CFR Parts 902.1 and 903.1, entities generally should use a Claims Collection Litigation Report (CCLR) to refer such matters to the Justice Department.

Note 5: Exceptions to the requirement to transfer nontax debt delinquent for a period of 180 days to Treasury for collection are

- (a) a debt or claim that
 - (1) is in litigation or foreclosure;
 - (2) will be disposed of under an asset sales program within 1 year after becoming eligible for sale, or later than 1 year if consistent with an asset sales program and a schedule established by the entity and approved by OMB;
 - (3) has been referred to a private collection contractor for collection for a period determined by Treasury;
 - (4) has been referred by, or with the consent of, Treasury to a debt collection center for a period determined by Treasury; or
 - (5) will be collected under internal offset, if such offset is sufficient to collect the claim within 3 years after the date the debt or claim is first delinquent; and
- (b) to any other specific class of debt or claim, as determined by Treasury at the request of an entity. (31 U.S.C. 3711(g)(2))
Examples include
 - (1) debts in bankruptcy meeting the criteria for an automatic stay (11 U.S.C. 362),
 - (2) foreign debt considered uncollectable by Treasury due to foreign diplomacy considerations and affairs of state,
 - (3) debts in forbearance or appeals.

Note 6: Exceptions to the requirement to notify Treasury of nontax debt delinquent over 180 days for administrative offset are a claim that has

Compliance**809 - Provisions Governing Claims of the U.S. Government (31 U.S.C. 3711-3720E) (Including the Debt Collection Improvement Act of 1996 (DCIA))**

been outstanding for more than 10 years or when a statute explicitly prohibits using administrative offset or setoff to collect the type of claim involved. (31 U.S.C. 3716(e)) Also, this section does not prohibit the use of any other administrative offset authority existing. (31 U.S.C. 3716 (d))

Prior to referring debts to Treasury, an agency shall inform the debtor of the amount and nature of the debt (such as overpayment, etc.), and actions which may be taken to enforce recovery of a delinquent debt. These include

- (a) offset of any payments which the debtor is due, including tax refunds, and salary;
- (b) referral of the debt to a private collection agency;
- (c) referral of the debt to the Department of Justice or agency counsel for litigation;
- (d) reporting of the debt to a credit bureau;
- (e) reporting of the debt, if discharged, to IRS as a potential taxable income.

In the future, the agency also will need to inform the debtor that the debt may be subject to administrative wage garnishment, his/her identity may be published or publicly disseminated, and/or the debt may be sold.

The notice must tell the debtor that he/she has the opportunity

- (a) to inspect and copy records relating to the debt,
- (b) for a review by the agency; and
- (c) to enter into a written repayment agreement.

Note 7: Before an entity refers past-due debt to Treasury for reduction of tax refund, it must

- (a) notify the person incurring such debt that the entity proposes to refer to Treasury for tax refund offset,
- (b) give such person at least 60 days to present evidence that all or part of the debt is not past due or not legally enforceable,
- (c) consider any evidence presented by such person and determine that an amount of such debt is past due and legally enforceable,
- (d) satisfy such other conditions Treasury may prescribe to ensure the above determination is valid and that the entity has made reasonable efforts to obtain payment, and

Compliance**809 - Provisions Governing Claims of the U.S. Government (31 U.S.C. 3711-3720E) (Including the Debt Collection Improvement Act of 1996 (DCIA))**

- (e) certify that reasonable efforts have been made by the entity to obtain payment. (31 U.S.C. 3720A (b))

Treasury issues regulations prescribing the times at which entities shall submit notices of past-due legally enforceable debts, the manner of submitting them, and the information to be contained in them. The regulations also specify the minimum amount of debt that may be referred for tax refund offset and the fee the entity shall pay to reimburse Treasury for its costs.

Note 8: If multipurpose testing is used for the compliance test and/or compliance control test and/or a substantive test of accounts or loans receivable details, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test as described in FAM 430. Otherwise, the items should be selected using attribute sampling as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity, accuracy, and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of the population.

Compliance

810 - PROMPT PAYMENT ACT

Note: Complete this compliance summary or prepare equivalent documentation only if provisions of the Prompt Payment Act are considered to be significant as indicated on Form 802 - General Compliance Checklist.

OMB guidance on the Prompt Payment Act is included in 5 CFR Part 1315.

Name of entity: _____ <u>Compliance Summary</u> Prepared by: _____ Audit period: _____ Reviewed by: _____					
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?
1. If payment for property or services from a business concern is not made by the required due date, an interest penalty shall be paid to the concern on the amount of the payment due. The interest penalty shall be paid for the period beginning on the day after the required payment date and ending on the date on which payment is made. (See notes 1, 2, 3, 4, and 5.) Type: Transaction-based Ref: 31 U.S.C. 3902(a) and (b)	1a. All payments for property or services that are not made by the payment due date are identified. (See note 1.) 1b. Interest penalties are calculated and paid on the past due amount using the appropriate interest rate and period. (See notes 2, 3, 4, and 5.)	[Document the control activities used by the entity to achieve the objective.]	[Is control dependent on computer processing?]	[Indicate yes or no; include reference to supporting documentation.]	[Indicate yes or no; include reference to supporting documentation.] See Compliance Audit Program 810 Step 4(a) and (b).

Compliance
810 - Prompt Payment Act

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>			Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?	
2. Penalties shall be paid out of amounts made available to carry out the program for which the penalty is incurred. Type: Transaction-based Ref: 31 U.S.C. 3902(f)	2. Interest penalties are paid out of the appropriation used to pay related program expenditures.				See Compliance Audit Program 810 Steps 4(c), 5(c), and 6.	
3. Discounts offered by a business concern may be taken only if payment is made within the specified time as determined from the date of the invoice. An interest penalty shall be paid on improperly taken discounts. Type: Transaction-based Ref: 31 U.S.C. 3904	3a. Discounts taken after the specified time period are identified. 3b. Interest penalties are properly calculated and paid on the amount of any improperly taken discounts using the appropriate interest rate and period.				See Compliance Audit Program 810 Step 5(a) and (b).	

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Note: Complete this program or prepare equivalent documentation only if provisions of the Prompt Payment Act are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

OMB Guidance on the Prompt Payment Act is included in 5 CFR Part 1315.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 810 - Compliance Summary), select a sample of payments from throughout the audit period. (The sample size will vary based on the expected effectiveness of compliance controls as discussed in FAM 460.02.) Document the sampling approach using the documentation in FAM section 495 E. See note 6 regarding sampling efficiencies and completeness of the population.</p> <p>Sample size _____ Sample selection method _____</p>		

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Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>2. For each item selected in step 1, obtain the supporting documentation for the payment such as the invoice voucher package.</p> <p>(a) Document the following items in the documentation:</p> <ul style="list-style-type: none"> • invoice number; • payee; • invoice amount; • invoice date; • invoice receipt date (or other date used for determining compliance with this law - see step 2 (b)); • payment date; • amount of interest penalty paid, if any; • amount of discount taken, if any; and • appropriation account(s) charged for the expenditure and interest penalty, if any. 		

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>2. (b) For each item selected, note whether the payment was made by the required due date. The required due date may be the date specified in the contract or, if a date is not specified, 30 days after receipt of the invoice (31 U.S.C. 3903(a)(1)(A) and (B)). If payment is for meat or meat food products, perishable agricultural products, dairy products or construction contracts, consult with OGC to determine payment due date. Specific payment due dates to avoid interest penalties are established by law for these items. (31 U.S.C. 3903(a)(2), (3), (4), and (6))</p> <p>The invoice receipt date is the later of (1) the date the entity's designated representative or office actually receives a proper invoice or (2) the 7th day after the date on which, in accordance with the terms and conditions of the contract, the property is actually delivered or performance of the services is actually completed (unless the entity accepted the property or services before the 7th day or a longer acceptance period is specified in the contract). If the date of actual invoice receipt is not indicated, the entity must use the invoice date. (31 U.S.C. 3901(a)(4)(A) and (B))</p> <p>If the payment was made prior to the payment due date, perform step 3.</p> <p>If the payment was made after the payment due date, perform step 4.</p> <p>If a discount was taken, perform step 5.</p>		

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>3. If the payment was made prior to the payment due date, and no discount was taken, determine that no interest penalty was paid.</p> <p>(Note: If the entity did not take advantage of a discount for which it was eligible or if an interest penalty was paid when it was not owed, the auditor generally should determine the cause of these items for purposes of reporting findings.)</p>		

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>4. If the payment was made after the payment due date, determine whether</p> <ul style="list-style-type: none"> (a) an interest penalty was paid; (b) the amount of the interest penalty was properly calculated; and (c) the interest penalty was paid out of the appropriation used to pay the related expenditures. <p>Review the accounting codes indicated on the expense voucher. Determine whether the accounting codes used to record the interest penalty are the same as those used for the related expenditure and whether the codes and amounts agree with those recorded in the budgetary accounting records. (See step 6 regarding proper summarization of amounts.) (31 U.S.C. 3902 (a), (b), and (f))</p> <p>Investigate any differences between the amount of interest penalty calculated by the auditor and the amount paid by the entity, including any instances when an interest penalty was owed but not paid. See note 5. Investigate any instances when the proper appropriation account was not charged.</p> <p>See note 2 regarding the interest rate to be used. See notes 3 and 4 regarding the period the penalty should cover.</p>		

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>5. If a discount was taken, determine whether it was taken during the specified period the discount was available. If the discount was taken during the specified period, further consideration is not necessary.</p> <p>If any discounts are taken after the appropriate time period, determine whether</p> <ul style="list-style-type: none"> (a) an interest penalty was paid, (b) the amount of the interest penalty was properly calculated, and (c) the interest penalty was charged against the appropriation used for the related expenditures. <p>Review the budget accounting codes indicated on the expense voucher. Determine whether the budget accounting codes indicated on the voucher for the interest penalty are the same as those used for the related expenditure. Determine whether the codes and amounts on the voucher agree with those recorded in the budgetary accounting records. (See step 6 regarding proper summarization of the budgetary amounts.) (31 U.S.C. 3902 (a), (b), and (f), and 31 U.S.C. 3904)</p> <p>Interest penalties should be calculated on the amount of the discount. The penalty accrues on the amount of the discount from the last date specified that the discounted amount may be paid (31 U.S.C. 3904). See note 2 regarding the interest rate to be used to calculate the interest penalty.</p> <p style="text-align: center;">(continued)</p>		

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>5. (continued)</p> <p>Investigate any differences between the amount of interest penalty calculated by the auditor and the amount paid by the entity, including any instances when an interest penalty was owed but not paid. Investigate any instances when the proper appropriation account was not charged.</p>		
<p>6. Consider the procedures performed on the entity's budget controls over summarization of expenditure balances as discussed in FAM 395 F.</p> <p>If the auditor has assessed the entity's controls as <u>effective</u> in achieving the control objective of summarization of expenditure balances, further procedures are not necessary to obtain assurance as to whether interest penalties are paid out of the proper appropriation account.</p> <p>If the auditor has assessed the controls as <u>ineffective</u>, the auditor should perform procedures to determine if the entity has properly summarized the expenditure balances as described in FAM 495 B.</p>		

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>7. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, the Special Investigator Unit to conclude if noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"> • identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing; • report the nature of any weakness in compliance controls and consider modification of the opinion on internal control as appropriate (see FAM 580.32-.61); • consider the implications of any instances of noncompliance on the financial statements; and • report instances of noncompliance, as appropriate (see FAM 580.67-.75). 		
<p>8. Document conclusions on compliance with each provision on Form 810 - Compliance Summary.</p>		

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Note 1: The required due date is generally the date specified in the contract or, if a date is not specified, 30 days after receipt of the invoice (31 U.S.C. 3903(a)(1)(A) and (B)) If payment is for meat or meat food products, perishable agricultural products, dairy products or construction contracts, consult with OGC to determine payment due date. Specific payment due dates to avoid interest penalties are established by law for these items. (31 U.S.C. 3903(a)(2), (3), (4), and (6))

The invoice receipt date is established as the later of (1) the date the entity's designated representative or office actually receives a proper invoice or (2) the 7th day after the date on which, in accordance with the terms and conditions of the contract, the property is actually delivered or performance of the services is actually completed, unless the entity accepted the property or services before the 7th day or a longer acceptance date is specified in the contract. If the date of actual invoice receipt is not indicated, the entity must use the invoice date. (31 U.S.C. 3901(a)(4)(A) and (B))

Note 2: Interest shall be calculated at the rate set by the Secretary of the Treasury under section 12 of the Contract Disputes Act of 1978 (41 U.S.C. 611) that is in effect at the time the entity accrues the obligation to pay a late payment interest penalty. The rates are published in the *Federal Register*. (31 U.S.C. 3902(a))

Note 3: The interest penalty shall be paid for the period beginning on the day after the required payment date and ending on the date on which payment is made. (31 U.S.C. 3902(b))

An interest penalty not paid after any 30-day period shall be added to the principal amount of the debt, and a penalty accrues thereafter on the combined amount of principal and interest. (31 U.S.C. 3902(e))

Note 4: A payment is deemed to be made on the date a check for payment is dated or an electronic transfer is made. (31 U.S.C. 3901 (a)(5))

Note 5: The temporary unavailability of funds to make a timely payment due for property or services does not relieve the entity head of the obligation to pay interest penalties under this law. (31 U.S.C. 3902 (d))

Note 6: If multipurpose testing is used for the compliance test and/or compliance control test and/or a substantive test of payments details, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive

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810 - Prompt Payment Act

test as described in FAM 430. Otherwise, the items should be selected using attribute sampling as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity, accuracy, and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of the population.

Compliance

812 - PAY AND ALLOWANCE SYSTEM FOR CIVILIAN EMPLOYEES, AS PROVIDED PRIMARILY IN CHAPTERS 51-59 OF TITLE 5, U.S. CODE

Note: Complete this compliance summary or prepare equivalent documentation only if provisions of the Pay and Allowance System for Civilian Employees, as provided primarily in Chapters 51-59 of Title 5, U.S. Code, are considered to be significant as indicated on Form 802 - General Compliance Checklist.

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>			Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?	
1. Pay for a specific position should be based on the appropriate pay schedule or pay rate. Type: Transaction-based Ref: 5 U.S.C. 5332, 5343, and 5383	1. Employees are paid at appropriate rates.	[Document the control activities used by the entity to achieve the objective.]	[Is control dependent on computer processing?]	[Indicate yes or no; include reference to supporting documentation.]	[Indicate yes or no; include reference to supporting documentation.] See Compliance Audit Program 812 Step 4(b).	
2. Employer shall pay employees at least minimum wage. (See note 1.) Type: Transaction-based Ref: 29 U.S.C. 206	2. Employees are paid at least minimum wage. (See note 1.)				See Compliance Audit Program 812 Step 4(b).	

Compliance**812 - Pay and Allowance System for Civilian Employees, as Provided
Primarily in Chapters 51-59 of Title 5, U.S. Code**

Note: Complete this program or prepare equivalent documentation only if provisions of the Pay and Allowance System for Civilian Employees, as provided primarily in Chapters 51-59 of Title 5, U.S. Code, are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
Note: These tests are closely related to procedures performed for substantive tests of payroll expense details. Use of multipurpose testing in this situation is strongly encouraged.		
1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 812 - Compliance Summary), select an appropriate sample of disbursements from the payroll records throughout the audit period. (The sample size will vary based on the expected effectiveness of compliance controls as discussed in FAM 460.02). Document the sampling approach using the documentation in FAM section 495 E. See note 2 regarding sampling efficiencies and completeness of the population.		
Sample size _____		
Sample selection method _____		

Compliance**812 - Pay and Allowance System for Civilian Employees, as Provided
Primarily in Chapters 51-59 of Title 5, U.S. Code**

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
2. For each item selected in 1, note the following information: <ul style="list-style-type: none">• employee name;• pay period (number and dates);• amount of gross pay for the period;• pay rate;• total hours worked; and• number of hours worked at regular pay and other pay (i.e., overtime, premium pay, etc.).		
3. For each item selected in 1, obtain the employee's personnel file and note the following in effect for the pay period selected: <ul style="list-style-type: none">• the employee's grade and step and• the employee's pay rate.		
4. For each item selected in 1, (a) Calculate the amount of gross pay using the hours worked and the employee's pay rate indicated on the payroll records. Compare the amount of gross pay calculated by the auditor to the amount shown on the payroll records for the selected pay period and obtain explanation and examine support for any differences. Note: To convert basic annual amount to a daily, weekly or biweekly amount, divide the annual rate by 2,087 for an hourly rate. Multiply the hourly rate by number of either daily hours, 40 for weekly, or 80 for biweekly amounts. (5 U.S.C. 5504)		

Compliance**812 - Pay and Allowance System for Civilian Employees, as Provided
Primarily in Chapters 51-59 of Title 5, U.S. Code**

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>4. (b) Compare the employee's pay rate in the payroll records to the appropriate pay rate for the employee's approved grade and step on the pay schedules established by executive order. (Use the approved grade and step indicated in the employee's personnel records for this test.) Obtain explanation and examine support for any differences between the actual pay rate for the period selected and the authorized amounts. (5 U.S.C. 5332, 5343, and 5383)</p> <p>If the employee's pay is not set by these pay schedules, determine whether the amount paid is properly authorized and whether the pay rate is at least minimum wage. (29 U.S.C. 206)</p>		

Compliance**812 - Pay and Allowance System for Civilian Employees, as Provided
Primarily in Chapters 51-59 of Title 5, U.S. Code**

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>5. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, the Special Investigator Unit to conclude if noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">• identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;• report the nature of any weakness in compliance controls and consider modification of the opinion on internal control as appropriate (see FAM 580.32-.61);• consider the implications of any instances of noncompliance on the financial statements; and• report instances of noncompliance, as appropriate (see FAM 580.67-.75).		
<p>6. Document conclusions on compliance with each provision on Form 812 - Compliance Summary.</p>		

Compliance**812 - Pay and Allowance System for Civilian Employees, as Provided
Primarily in Chapters 51-59 of Title 5, U.S. Code**

Note 1: To convert basic annual amount to a daily, weekly, or biweekly amount, divide the annual rate by 2,087 for an hourly rate. Multiply the hourly rate by number of either daily hours, 40 for weekly, or 80 for biweekly amounts. (5 U.S.C. 5504)

Note 2: If multipurpose testing is used for the compliance test and/or compliance control test and a substantive test of payroll expense details, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test. Otherwise, the items should be selected using attribute sampling, as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the population. For efficiency, the auditor should consider using records that were tested for validity and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of payroll or other payroll related compliance tests.

Note 3: If the entity outsources payroll processing, the entity remains responsible for compliance. Dividing responsibility for payroll processing activities between the entity and the service organization could make payroll testing more complicated, although the same testing should be performed. The auditor may accomplish that testing with the assistance of the service organization's auditor, who may issue an internal control report on the service organization under AU 324 (SAS 70). Or the service organization's auditor may assist the entity auditor by performing agreed-upon procedures at the service organization (e.g., substantive testing) under AT 201 (see FAM 660).

Compliance

813 - CIVIL SERVICE RETIREMENT ACT

Note: Complete this compliance summary or prepare equivalent documentation only if provisions of the Civil Service Retirement Act are considered to be significant as indicated on Form 802 - General Compliance Checklist.

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>			Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?	
<p>1. For each employee employed prior to January 1, 1984, the entity shall withhold a percent of the basic pay of the employee. (See notes 1 and 2.)</p> <p>Type: Transaction-based Ref: 5 U.S.C. 8334(a)(1)</p>	<p>1. The appropriate amount is withheld from employee's pay. (See notes 1 and 2.)</p>	<p>[Document the control activities used by the entity to achieve the objective.]</p>	<p>[Is control dependent on computer processing?]</p>	<p>[Indicate yes or no; include reference to supporting documentation.]</p>	<p>[Indicate yes or no; include reference to supporting documentation.]</p> <p>See Compliance Audit Program 813 Step 4(b).</p>	

Compliance
813 - Civil Service Retirement Act

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>			Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?	
2. An amount equal to the amount withheld from the employee's pay shall be contributed by the entity from the appropriation or fund used to pay the employee. Type: Transaction-based and Quantitative-based Ref: U.S.C. 5 U.S.C. 8334(a)(1)	2. The entity contribution for employee retirement is calculated properly, summarized properly, and charged to the proper appropriation account or fund.				See Compliance Audit Program 813 Steps 4(c) and 5.	
3. Amounts withheld from employees and the sum contributed by the entity for retirement benefits shall be deposited in the Treasury to the credit of the Civil Service Retirement and Disability Fund. Type: Procedural-based and Quantitative based Ref: 5 U.S.C. 8334(a)(2)	3. Withholdings from employees and entity contributions for retirement benefits are properly summarized and deposited in the Treasury to the credit of the Civil Service Retirement and Disability Fund.				See Compliance Audit Program 813 Steps 6 and 7.	

Compliance
813 - Civil Service Retirement Act

Note: Complete this program or prepare equivalent documentation only if provisions of the Civil Service Retirement Act are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 813 - Compliance Summary), select a sample of expense amounts for individuals' gross pay from the payroll disbursement records for the audit period for employees covered by the Civil Service Retirement Act system (CSRS). (See note 1.)</p> <p>(The sample size will vary based on the expected effectiveness of compliance controls, as discussed in FAM 460.02). Document the sampling approach using the documentation in FAM section 495 E. See note 3 regarding sampling efficiencies and completeness of the population.</p> <p>These tests should be coordinated with other tests of payroll-related expenses and with the agreed-upon procedures agency auditors perform for the Office of Personnel Management (OPM), per OMB audit guidance, if performed.</p> <p>Sample size _____ Sample selection method _____</p>		

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813 - Civil Service Retirement Act

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>2. For each selection made in 1, document the following for the pay period selected:</p> <ul style="list-style-type: none"> • the amount withheld for the cost of retirement benefits; • the amount of basic pay; and • if indicated in the payroll disbursement records, document the retirement plan under which the withholdings were made (CSRS or FERS). (Only employees covered by CSRS should be included in this compliance test. See FAM 817 for the FERS compliance test.) 		
<p>3. For each item selected in 1, obtain the employee's personnel file and note the following:</p> <ul style="list-style-type: none"> • employee hire date, • amount of basic pay, and • the retirement plan under which the employee is covered. 		
<p>4. For each selection made in 1,</p> <p>(a) Compare the amount of basic pay indicated in the employee's personnel file with the amount indicated in the payroll records and obtain an explanation and examine support for any differences. (This procedure would be performed only if not already performed as part of other testing.)</p>		

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813 - Civil Service Retirement Act

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
4. (b) Calculate the amount of the withholdings for retirement costs based on 7 percent of basic pay for executive branch employees (see note 2 for percentages for other employees) for the selected pay period and document the amount in the documentation. Compare to the actual amount withheld for the selected pay period and obtain an explanation and examine support for any differences. (5 U.S.C. 8334(a)(1))		
4. (c) Determine whether the entity contributed an equal amount for the employee's retirement for the selected pay period. Obtain explanation and examine support for any differences between the employee and entity contributions. (5 U.S.C. 8334(a)(1))		
5. Determine whether amounts contributed by the entity are charged to the appropriation or fund used to pay the employee for the selected pay period by performing the following procedures: (a) Review the accounting codes indicated on the supporting documentation. (b) Determine whether the accounting codes used to record the entity contribution are the same as those used for the related payroll expenditure and whether the codes and amounts agree with those recorded in the budgetary accounting records. (This step assumes other payroll testing would have included checking that the codes represent the proper appropriation.)		

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Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>5. (c) Consider the procedures performed on the entity's budget controls over summarization of expenditure balances as discussed in FAM 395 F.</p> <p>If the auditor has assessed the entity's controls as <u>effective</u> in achieving the control objective of summarization of expenditure balances, further procedures are not necessary to obtain assurance as to whether the entity's contributions are paid out of the proper appropriation account.</p> <p>If the auditor has assessed the controls as <u>ineffective</u>, the auditor should perform procedures to determine whether the entity has properly summarized the expenditure balances as described in FAM 495 B. (5 U.S.C. 8334 (a)(1))</p>		
<p>6. Determine whether the entity has effective controls over the proper summarization of (a) the amounts withheld from employees for retirement costs under this law and (b) the entity contributions for remittance to Treasury. If the entity does not have effective controls for summarization, test the summarization of the totals that include the items selected for testing in step 1.</p>		
<p>7. Compare the combined totals of employee withholdings and entity contributions that include each selection made in step 1 to the deposit made to Treasury and the remittance sent to OPM and obtain an explanation and examine support for any differences. The funds should be deposited in the Treasury to the credit of the Civil Service Retirement and Disability Fund. (5 U.S.C. 8334(a)(2))</p>		

Compliance
813 - Civil Service Retirement Act

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>8. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, the Special Investigator Unit to conclude if noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"> • identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing; • report the nature of any weakness in compliance controls and consider modification of the opinion on internal control as appropriate (see FAM 580.32-.61); • consider the implications of any instances of noncompliance on the financial statements; and • report instances of noncompliance, as appropriate (see FAM 580.67-.75). 		
9. Document conclusions on compliance with each provision on Form 813 - Compliance Summary.		

Compliance
813 - Civil Service Retirement Act

- Note 1: Employees may be covered by the Civil Service Retirement Act (CSRS) or the Federal Employees' Retirement System Act (FERS), generally depending on their employment date.
- Note 2: The percentage to be withheld for the service period after December 31, 2000, for (1) executive branch employees is 7 percent and (2) Congressional employees is 7.5 percent. The percentage to be withheld for the service period between January 1, 2001 and December 31, 2002, for Members of Congress is 8.5 percent. The percentage withheld for service after December 31, 2002, for Members of Congress is 8 percent. (5 U.S.C. 8334(a)(1))
- Note 3: If multipurpose testing is used for the compliance test and/or compliance control test and a substantive test of payroll expense details, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test. Otherwise, the items should be selected using attribute sampling, as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the population. For efficiency, the auditor should consider using records that were tested for validity and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of payroll or other payroll related compliance tests.

- Note 4: If the entity outsources payroll processing, the entity remains responsible for compliance. Dividing responsibility for payroll processing activities between the entity and the service organization could make payroll testing more complicated, although the same testing should be performed. The auditor may accomplish that testing with the assistance of the service organization's auditor, who may issue an internal control report on the service organization under AU 324 (SAS 70). Or the service organization's auditor may assist the entity auditor by performing agreed-upon procedures at the service organization (e.g., substantive testing) under AT 201 (see FAM 660).

Compliance

814 - FEDERAL EMPLOYEES HEALTH BENEFITS ACT

Note: Complete this compliance summary or prepare equivalent documentation only if provisions of the Federal Employees Health Benefits Act are considered to be significant as indicated on Form 802 - General Compliance Checklist.

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>			Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?	
<p>1. For each full-time employee enrolled in a health benefits plan, a biweekly contribution shall be made by the entity in an amount determined by OPM for each type of insurance plan. (See note 1 for part-time career employees.)</p> <p>Type: Transaction-based Ref: 5 U.S.C. 8906(b)(1)</p>	<p>1. The amount of the entity contribution for health insurance benefits is calculated properly for employees who elect to enroll in a health benefits plan.</p>	<p>[Document the control activities used by the entity to achieve the objective.]</p>	<p>[Is control dependent on computer processing?]</p>	<p>[Indicate yes or no; include reference to supporting documentation.]</p>	<p>[Indicate yes or no; include reference to supporting documentation.]</p> <p>See Compliance Audit Program 814 Step 4(b).</p>	
<p>2. For employees generally, the entity contribution for the cost of health insurance shall be paid from the appropriation or fund that is used to pay the employee.</p> <p>Type: Transaction-based and Quantitative-based Ref: 5 U.S.C. 8906(f)</p>	<p>2. Entity contributions for the cost of employee health insurance are summarized properly and charged to the proper appropriation account or fund.</p>				<p>See Compliance Audit Program 814 Step 4(c).</p>	

Compliance

814 - Federal Employees Health Benefits Act

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>			Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?	
<p>3. An amount shall be withheld from the employee's pay to cover the total cost of enrollment in the health benefit plan selected by the employee after the amount of the entity contribution is subtracted.</p> <p>Type: Transaction-based Ref: 5 U.S.C. 8906(d)</p>	<p>3. Withholdings are made for the employee's share of the cost of health insurance and are calculated properly.</p>				See Compliance Audit Program 814 Step 4(a).	
<p>4. Amounts withheld from employees and the sum contributed by the entity for health insurance costs shall be deposited in the Treasury to the credit of the Employees Health Benefits Fund.</p> <p>Type: Procedural-based and Quantitative-based Ref: 5 U.S.C. 8909</p>	<p>4. Withholdings from employees and entity contributions for health insurance costs are properly summarized and deposited in the Treasury to the credit of the Employees Health Benefits Fund.</p>				See Compliance Audit Program 814 Steps 5 and 6.	

Compliance
814 - Federal Employees Health Benefits Act

Note: Complete this program or prepare equivalent documentation only if provisions of the Federal Employees Health Benefits Act are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>1. Based on the preliminary assessment of compliance control effectiveness (as documented on Form 814 - Compliance Summary), select a sample of expense amounts for individuals' gross pay from the payroll disbursement records for the audit period.</p> <p>(The sample size will vary based on the expected effectiveness of compliance controls, as discussed in FAM 460.02). Document the sampling approach using the documentation in FAM section 495 E. See note 2 regarding sampling efficiencies and completeness of the population.</p> <p>These tests should be coordinated with other tests of payroll-related expenses and with the agreed-upon procedures agency auditors perform for OPM, per OMB audit guidance, if performed.</p> <p>Sample size _____ Sample selection method _____</p>		
<p>2. For each selection made in step 1, document the employee, the pay period selected, and the amount withheld for the pay period selected, if any, for the cost of health insurance. If available, document the health plan enrollment code.</p>		

Compliance
814 - Federal Employees Health Benefits Act

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>3. For each selection made in step 1, obtain the employee's personnel file and note whether the employee elected health insurance coverage for the period to which payroll disbursement relates. Such coverage should be indicated on OPM form SF 2809.</p> <p>If the employee did not elect health insurance coverage, ask why amounts are being withheld for the cost of insurance and determine whether any entity contributions are being made inappropriately as well.</p>		
<p>4. If the employee identified in step 3 elected coverage, perform the following steps:</p> <p>(a) Obtain the schedule of health insurance costs for all plans published by OPM. Using the enrollment code for the plan selected by the employee on OPM form SF 2809, calculate the employee's portion of the health insurance cost and record it in the documentation. Compare it to the amount actually withheld for the selected pay period and obtain an explanation and examine support for any differences. (5 U.S.C. 8906(d))</p>		
<p>4. (b) For each employee in (a), determine the appropriate amount of the entity's contribution for its share of health insurance costs by using the OPM schedule of costs. Compare it to the amount actually contributed by the entity for the employee's health insurance for the selected pay period and obtain an explanation and examine support for any differences. (See note 1 for part-time career employees.) (5 U.S.C. 8906(b)(1))</p>		

Compliance
814 - Federal Employees Health Benefits Act

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>4. (c) For each employee in (b), determine if amounts contributed by the entity are charged to the appropriation or fund that is used to pay the employee for the selected pay period by performing the following procedures:</p> <p>(1) Review the accounting codes indicated on the supporting documentation.</p> <p>(2) Determine whether the accounting codes used to record the entity contribution are the same as those used for the related payroll expenditure and whether the codes and amounts agree with those recorded in the budgetary accounting records. (This step assumes other payroll testing would have included checking that the codes represent the proper appropriation.)</p>		

Compliance
814 - Federal Employees Health Benefits Act

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>4. (c) (3) Consider the procedures performed on the entity's budget controls over summarization of expenditure balances as discussed in FAM 395 F.</p> <p>If the auditor has assessed the entity's controls as <u>effective</u> in achieving the control objective of summarization of expenditure balances, further procedures are not necessary to obtain assurance as to whether the entity's contributions are paid out of the proper appropriation account.</p> <p>If the auditor has assessed the controls as <u>ineffective</u>, the auditor should <u>perform</u> procedures to determine whether the entity has properly summarized the expenditure balances as described in FAM 495 B. (5 U.S.C. 8906(f))</p>		
<p>5. Determine whether the entity has effective controls over the proper summarization of the amounts withheld from employees for health insurance costs under this law and the entity contributions for remittance to Treasury. If the entity does not have effective controls for summarization, test the summarization of the totals that include the items selected for testing in step 1.</p>		
<p>6. Compare the total cost of health insurance on the entity's records (employee and employer portions) for the selected pay period to the deposit made to Treasury and the documentation sent to OPM and obtain an explanation and examine support for any differences. The funds should be deposited in the Treasury to the credit of the Employees Health Benefits Fund. (5 U.S.C. 8909)</p>		

Compliance
814 - Federal Employees Health Benefits Act

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>7. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, the Special Investigator Unit to conclude if noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"> • identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing; • report the nature of any weakness in compliance controls and consider modification of the opinion on internal control as appropriate (see FAM 580.32-.61); • consider the implications of any instances of noncompliance on the financial statements; and • report instances of noncompliance, as appropriate (see FAM 580.67-.75). 		
8. Document conclusions on compliance with each provision on Form 814 - Compliance Summary.		

Compliance
814 - Federal Employees Health Benefits Act

Note 1: For part-time career employees, the biweekly entity contribution shall be calculated on a prorata basis based on the ratio of number of scheduled part-time hours to the number of scheduled regular hours for an employee serving in a comparable position on a full-time basis. (5 U.S.C. 8906(b)(3))

Note 2: If multipurpose testing is used for the compliance test and/or compliance control test and a substantive test of payroll expense details, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test. Otherwise, the items should be selected using attribute sampling, as discussed in FAM 460.02.

As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of payroll or other payroll related compliance tests.

Note 3: If the entity outsources payroll processing, the entity remains responsible for compliance. Dividing responsibility for payroll processing activities between the entity and the service organization could make payroll testing more complicated, although the same testing should be performed. The auditor may accomplish that testing with the assistance of the service organization's auditor, who may issue an internal control report on the service organization under AU 324 (SAS 70). Or the service organization's auditor may assist the entity auditor by performing agreed-upon procedures at the service organization (e.g., substantive testing) under AT 201 (see FAM 660).

Compliance

816 - FEDERAL EMPLOYEES' COMPENSATION ACT

Note: Complete this compliance summary or prepare equivalent documentation only if provisions of the Federal Employees' Compensation Act are considered to be significant as indicated on Form 802 - General Compliance Checklist.

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>			Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?	
1. If the agency receives a statement showing the costs of amounts paid from the Employees' Compensation Fund (the Fund), the agency shall include a request for an appropriation to cover such amounts during the next fiscal year when submitting its budget request. (See note 1.) Type: Procedural-based Ref: 5 U.S.C. 8147	1. The entity's budget request includes a request for an appropriation for any amounts paid by the Fund on the entity's behalf for the prior fiscal year.	[Document the control activities used by the entity to achieve the objective.]	[Is control dependent on computer processing?]	[Indicate yes or no; include reference to supporting documentation.]	[Indicate yes or no; include reference to supporting documentation.] See Compliance Audit Program 816 Step 1.	

Compliance

816 - Federal Employees' Compensation Act

Name of entity: _____ Audit period: _____		<u>Compliance Summary</u>			Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?	
<p>2. Amounts appropriated pursuant to the request (described in 1 above) shall be credited to the Fund within 30 days after they are available. (See note 2 for entities that are not dependent on annual appropriations.)</p> <p>Type: Procedural-based Ref: 5 U.S.C. 8147</p>	<p>2. Appropriations received for the costs of amounts paid out of the Fund on behalf of the entity are credited to the Fund within 30 days after they are available.</p>				<p>See Compliance Audit Program 816 Step 1.</p>	

Compliance
816 - Federal Employees' Compensation Act

Note: Complete this program or prepare equivalent documentation only if provisions of the Federal Employees' Compensation Act are considered to be significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary for this law.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
Note: The provisions identified for testing are procedural-based provisions. As discussed in FAM 460.06, sufficient procedures usually are performed in conjunction with tests of compliance controls for these procedural-based provisions to conclude on the entity's compliance without performing additional procedures. Additional procedures should <u>not</u> be performed to obtain evidence regarding compliance with the provisions related to the following objectives unless sufficient evidence regarding compliance was not obtained during compliance control tests documented on Form 816 - Compliance Summary.		
1. Reference to conclusions on compliance controls on Form 816 - Compliance Summary and indicate whether any additional procedures are necessary.		

Compliance
816 - Federal Employees' Compensation Act

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>2. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, the Special Investigator Unit to conclude if noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none"> • identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing; • report the nature of any weakness in compliance controls and consider modification of the opinion on internal control as appropriate (see FAM 580.32-.61); • consider the implications of any instances of noncompliance on the financial statements; and • report instances of noncompliance, as appropriate (see FAM 580.67-.75). 		
<p>3. Document conclusions on compliance with each provision on Form 816 - Compliance Summary.</p>		

Compliance
816 - Federal Employees' Compensation Act

Note 1: A statement showing the total cost of benefits and other payments made from the Employees' Compensation Fund during the preceding July 1 through June 30 expense period on account of the injury or death of employees or individuals under the jurisdiction of the entity is required to be provided by the Secretary of Labor to the entity by August 15 of each year. (5 U.S.C. 8147)

Note 2: Entities not dependent on an annual appropriation shall make the required deposit to Treasury from funds under its control during the first 15 days of October after receipt of the statement showing the costs paid on the entity's behalf. (5 U.S.C. 8147)

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Compliance

817 – FEDERAL EMPLOYEES' RETIREMENT SYSTEM ACT OF 1986

Note: Complete this compliance summary or prepare equivalent documentation only if provisions of the Federal Employees' Retirement System Act of 1986 are considered significant as indicated on Form 802 - General Compliance Checklist.

Name of entity: _____ Audit period: _____		Compliance Summary		Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?
1. For each employee employed after December 31, 1983, the entity shall withhold 0.8% of the basic pay of the employee. (See notes 1 and 2.) Type: Transaction-based Ref: 5 U.S.C. 8401(11), 5U.S.C. 8422(a)(1)	1. The appropriate amount is withheld from employee's pay. (See notes 1 and 2.)	[Document the control techniques used by the entity to achieve the objective.]	[Is control dependent on computer processing?]	[Indicate yes or no; include reference to supporting documentation.]	[Indicate yes or no; include reference to supporting documentation.] See Compliance Audit Program 817 Step 4(b).

Compliance

817 – Federal Employees' Retirement System Act of 1986

Name of entity: _____ Audit period: _____		Compliance Summary		Prepared by: _____ Reviewed by: _____	
Provision description	Objective	Control activities	IS (Y/N)	Effective compliance controls?	Instances of noncompliance noted?
<p>2. An amount equal to the employing agency's applicable normal cost percentage less the employee deduction rate shall be contributed by the entity from the appropriation or fund used to pay the employee. (See note 3.)</p> <p>Type: Transaction-based and Quantitative-based Ref: 5 U.S.C. 8423(a)(1) and 5 U.S.C. 8401(23)</p>	<p>2. The entity contribution for employee retirement is calculated properly, summarized properly, and charged to proper appropriation account or fund. (See note 3.)</p>				<p>See Compliance Audit Program 817 Steps 4(c) and 5.</p>
<p>3. Amounts withheld from employees and the sum contributed by the entity for retirement benefits shall be deposited in the Treasury to the credit of the Civil Service Retirement and Disability Fund.</p> <p>Type: Procedural-based and Quantitative based Ref: 5 U.S.C. 8422(c)</p>	<p>3. Withholdings from employees and entity contributions for retirement benefits are properly summarized and deposited in the Treasury to the credit of the Civil Service Retirement and Disability Fund.</p>				<p>See Compliance Audit Program 817 Steps 6 and 7.</p>

Compliance**817 - Federal Employees' Retirement System Act of 1986**

Note: Complete this program or prepare equivalent documentation only if provisions of the Federal Employees' Retirement System Act of 1986 are considered significant as indicated on Form 802 - General Compliance Checklist. The procedures in this program are designed to test compliance with the provisions listed on the Compliance Summary.

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>1. Based on the preliminary assessment of compliance control effectiveness (as documented on form 817 - Compliance Summary), select a sample of expense amounts for individuals' gross pay from the payroll disbursement records for the audit period for employees covered by the Federal Employees' Retirement System (FERS). (See note 1.)</p> <p>(The sample size will vary based on the expected effectiveness of compliance controls as discussed in FAM 460.02). Document the sampling approach using the documentation in FAM section 495 E. See note 4 regarding sampling efficiencies and completeness of the sample population.</p> <p>These tests should be coordinated with other tests of payroll-related expenses and with the agreed-upon procedures agency auditors perform for OPM, per OMB audit guidance, if performed.</p> <p>Sample size _____</p> <p>Sample selection method _____</p>		

Compliance

817 - Federal Employees' Retirement System Act of 1986

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>2. For each selection made in 1, document the following for the pay period selected:</p> <ul style="list-style-type: none"> • the amount withheld for the cost of retirement benefits, • the amount of basic pay, and • if indicated in the payroll disbursement records, document the retirement plan under which the withholdings were made (CSRS or FERS). (Only employees covered by FERS should be included in this compliance test. See FAM 813 for the CSRS compliance test.) 		
<p>3. For each item selected in 1, obtain the employee's personnel file and note the following:</p> <ul style="list-style-type: none"> • employee hire date, • amount of basic pay, and • the retirement plan under which the employee is covered. 		
<p>4. For each selection made in 1,</p> <p>(a) Compare the amount of basic pay indicated in the employee's personnel file with the amount indicated in the payroll records and obtain an explanation and examine support for any differences. (This procedure would be performed only if not already performed as part of other testing.)</p>		

Compliance**817 - Federal Employees' Retirement System Act of 1986**

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
4. (b) Calculate the amount of the withholdings for retirement costs based on 0.8% of basic pay for most employees (see note 2 for percentages for certain employees) for the selected pay period and record the amount in the documentation. Compare to the actual amount withheld for the selected pay period and obtain an explanation and examine support for any differences. (5 U.S.C. 8422(a)(1))		
4. (c) Determine whether the entity contributed the correct amount for the employee's retirement for the selected pay period. Obtain an explanation and examine support for any differences between the entity contributions and the amount calculated using OPM's normal cost percentage. (5 U.S.C. 8423(a)(1) and 5 U.S.C. 8401(23))		

Compliance

817 - Federal Employees' Retirement System Act of 1986

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>5. Determine if amounts contributed by the entity are charged to the appropriation or fund used to pay the employee for the selected pay period by performing the following procedures:</p> <p>(a) Review the accounting codes indicated on the supporting documentation.</p> <p>(b) Determine whether the accounting codes used to record the entity contribution are the same as those used for the related payroll expenditure and whether the codes and amounts agree to those recorded in the budgetary accounting records. (This step assumes other payroll testing would have included checking that the codes represent the proper appropriation.)</p> <p>(c) Consider the procedures performed on the entity's budget controls over summarization of expenditure balances as discussed in FAM 395 F.</p> <p>If the auditor has assessed the entity's controls as effective in achieving the control objective of summarization of expenditure balances, further procedures are not necessary to obtain assurance as to whether the entity's contributions are paid out of the proper appropriation account.</p> <p>If the auditor has assessed the controls as ineffective, the auditor should perform procedures to determine whether the entity has properly summarized the expenditure balances as described in FAM 495 B. (5 U.S.C. 8423(a)(1))</p>		

Compliance**817 - Federal Employees' Retirement System Act of 1986**

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
6. Determine whether the entity has effective controls over the proper summarization of the amounts withheld from employees for retirement costs under this law and the entity contributions for remittance to Treasury. If the entity does not have effective controls for summarization, test the summarization of the totals that include the items selected for testing in step 1.		
7. Compare the combined totals of employee withholdings and entity contributions that include each selection made in step 1 to the deposit made to Treasury and the remittance sent to OPM and obtain explanation and examine support for any differences. The funds should be deposited in the Treasury to the credit of the Civil Service Retirement and Disability Fund. (5 U.S.C. 8422(c) and 5 U.S.C. 8401(6))		

Compliance

817 - Federal Employees' Retirement System Act of 1986

Name of entity: _____		
Audit period: _____		Reviewed by: _____
Audit Procedures	Done by/date	W/P ref
<p>8. If the entity does not appear to be in compliance based on the results of tests performed, discuss these matters with OGC and, when appropriate, the Special Investigator Unit to conclude if noncompliance actually has occurred and the implications of such noncompliance.</p> <p>For any noncompliance noted, the auditor should</p> <ul style="list-style-type: none">• identify the weakness in compliance controls that allowed the noncompliance to occur, if not previously identified during compliance control testing;• report the nature of any weakness in compliance controls and consider modification of the conclusion on internal control as appropriate (see FAM 580.32-.61);• consider the implications of any instances of noncompliance on the financial statements; and• report instances of noncompliance, as appropriate (see FAM 580.67-.75).		
<p>9. Document conclusions on compliance with each provision on Form 813 - Compliance Summary.</p>		

Compliance**817 - Federal Employees' Retirement System Act of 1986**

- Note 1: Employees may be covered by the Civil Service Retirement Act (CSRS) or the Federal Employees' Retirement System Act (FERS), generally depending on their employment dates.
- Note 2: For most employees, the percentage to be withheld is 0.8 percent (7 percent less the Social Security tax rate). For congressional employees, Members of Congress, and law enforcement officers, firefighters, air traffic controllers, and nuclear materials couriers, the withholding rates are higher. (See 5 U.S.C. 8422(a)(1).).
- Note 3: The Office of Personnel Management (OPM) computes the normal cost percentage. For FY 2002, it is 11.5 percent for regular employees. For congressional employees, Members of Congress, and law enforcement officers, firefighters, air traffic controllers, and nuclear materials couriers, the normal cost percentages are higher. OPM lists the percentages in its Benefits Administration Letters, accessible on its Internet site, <http://www.opm.gov/asd/htm/bal01.htm> (where the 2 digits after "bal" represent the calendar year of the letters). (5 U.S.C. 8401(23))
- Note 4: If multipurpose testing is used for the compliance test and/or compliance control test and a substantive test of payroll expense details, the sample items for the compliance test and/or compliance control test should be selected using the sampling method used for the substantive test. Otherwise, the items should be selected using attribute sampling, as discussed in FAM 460.02.
- As with all sampling applications, the auditor should consider the completeness of the test population. For efficiency, the auditor should consider using records that were tested for validity and completeness (as well as the other financial statement assertions) in conjunction with substantive tests of payroll or other payroll related compliance tests.
- Note 5: If the entity outsources payroll processing, the entity remains responsible for compliance. Dividing responsibility for payroll processing activities between the entity and the service organization could make payroll testing more complicated, although the same testing should be performed. The auditor may accomplish that testing with the assistance of the service organization's auditor, who may issue an internal control report on the service organization under AU 324 (SAS 70). Or the service organization's auditor may assist the entity auditor by performing agreed-upon procedures at the

Compliance**817 - Federal Employees' Retirement System Act of 1986**

service organization (e.g., substantive testing) under AT 201 (see FAM 660).