**Illustrative Single Audit Reports**

**(****Before Implementation of SAS No. 134 and other related SASs)[[1]](#footnote-1)**

**Report on Compliance With Requirements Applicable to Each Major State Program and Internal Control Over Compliance in Accordance With the Uniform Guidance and the State Single Audit Implementation Act**

This sample reports are adapted from the 2020 AICPA’s Audit Guide, *Governmental Auditing Standards and Single Audits*. Samples from these illustrations should only be used for audits of financial statements for the periods ending before December 15, 2021.

Reporting requirements for periods ending on or after December 26, 2015 will be subject to Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Type of Compliance requirements are described in OMB’s Compliance Supplement. Currently there are twelve (12) types of compliance requirements and are located in Part 3 of the Compliance Supplement. The Compliance Requirements for North Carolina are located in the NC Department of State Treasurer’s *Audit Manual for Governmental Auditors in North Carolina* (“Discussion of Single Audit in North Carolina”), Currently there are thirteen (13) types of compliance requirements and are located Section 35-E, “Discussion of Single Audits in North Carolina.

The following examples of this report are given. The auditor should use portions of each that apply to a specific auditee situation. For example, if the auditor will be giving an unqualified opinion on compliance and has identified no material weaknesses, but significant deficiencies the compliance section of example 1 or 4 of this section would be used along with internal control section of example 2.

 Page Example Situation

35-E-4.1 1 Unmodified Opinion on Compliance for Each Major Program. No instances of noncompliance are identified - No material weaknesses or significant deficiencies are disclosed

35-E-4.5 2 Unmodified Opinion on Compliance for Each Major Program. Reportable instances of noncompliance are identified and reports in the Schedule of Findings and Questioned Cost- Material weaknesses are reported

35-E-4.8 3 Qualified Opinion on Compliance for one Major Program. Unmodified Opinion on Compliance for Each of the Other Major Programs. Material instances of noncompliance are identified - Material weaknesses and significant deficiencies are reported

35-E-4.12 4 Unmodified Opinion on Compliance for Each Major Program. No instances of noncompliance are identified. Significant deficiencies are reported. Single audit issued under separate cover from basic financial statements-

**Example 1 –** **Unmodified Opinion on Compliance for Each Major Program. No instances of noncompliance are identified - No material weaknesses or significant deficiencies are disclosed** **(Before Implementation of SAS No. 134 and other related SASs)**

**LETTERHEAD**

**Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with OMB Uniform Guidance; and the State Single Audit Implementation Act**

**Independent Auditor’s Report**

To the Honorable Mayor and

Members of the City Council

City of Dogwood, North Carolina

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

We have audited the City of Dogwood, North Carolina, compliance with the types of compliance requirements[[2]](#endnote-1) described in the *Audit Manual for Governmental Auditors in North Carolina*,[[3]](#endnote-2) issued by the Local Government Commission, that could have a direct and material effect[[4]](#endnote-3) on each of the City of Dogwood’s major state programs for the year ended June 30, 20XX. The City of Dogwood’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.[[5]](#endnote-4)

**Management’s Responsibility**

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Dogwood’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the *State Single Audit Implementation Act*.2 Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Dogwood’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City of Dogwood’s compliance.

**Opinion on Each Major State Program**

In our opinion, the City of Dogwood complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 20XX.[[6]](#endnote-5)

**Report on Internal Control Over Compliance[[7]](#endnote-6)**

Management of the City of Dogwood is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dogwood’s internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.[[8]](#endnote-7)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.[[9]](#endnote-8) [[10]](#endnote-9)

*[Firm’s Signature]*

*[Auditor’s city and state]*

*[Date][[11]](#endnote-10)*

**Example 2 - Unmodified Opinion on Compliance for Each Major Program. Reportable instances of noncompliance are identified and reports in the Schedule of Findings and Questioned Cost- Material weaknesses are reported (Before Implementation of SAS No. 134 and other related SASs)**

**LETTERHEAD**

**Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance; In Accordance With OMB Circular the Uniform Guidance and the State Single Audit Implementation Act**

**Independent Auditor’s Report**

To the Honorable Mayor and

Members of the City Council

City of Dogwood, North Carolina

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

We have audited the City of Dogwood, North Carolina, compliance with the types of compliance requirements[[12]](#endnote-11) described in the *Audit Manual for Governmental Auditors in North Carolina*,[[13]](#endnote-12) issued by the Local Government Commission, that could have a direct and material effect[[14]](#endnote-13) on each of the City of Dogwood’s major state programs for the year ended June 30, 20XX. The City of Dogwood’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.[[15]](#endnote-14)

**Management’s Responsibility**

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Dogwood’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act.2 Those standards, Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Dogwood’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City of Dogwood’s compliance.

**Opinion on Each Major State Program**

In our opinion, the City of Dogwood complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 20XX.[[16]](#endnote-15)

**Other Matters**

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with applicable sections of section the Uniform Guidance as described in the *Audit Manual for Governmental Auditors in North Carolina* and which are described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 20XX-1 and 20XX-2][[17]](#endnote-16) Our opinion on each major state program is not modified with respect to these matters.

The City of Dogwood’s response to the noncompliance findings identified in our audit is described in the accompanying [*insert the name of the document containing management’s response to the auditor’s findings; for example, schedule of findings and questioned costs and/or corrective action plan].* The City of Dogwood’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.6

**Report on Internal Control Over Compliance[[18]](#endnote-17)**

Management of the City of Dogwood is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dogwood’s internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City of Dogwood’s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.[[19]](#endnote-18)

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items *[list the reference numbers of the related findings, for example, 20X1-1, 20X1-2, and 20X1-3]*6 that we consider to be material weaknesses.

The City of Dogwood’s response to the internal control over compliance findings identified in our audit are described in the accompanying *[insert name of document containing management’s response to the auditor’s findings; for example, schedule of findings and questioned costs and/or corrective action plan]*. The City of Dogwood’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.**[[20]](#endnote-19)** [[21]](#endnote-20)

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.[[22]](#endnote-21)

*[Firm’s Signature]*

*[Auditor’s city and state]*

*[Date][[23]](#endnote-22)*

**Example 3 – Qualified Opinion on Compliance for one Major Program. Unmodified Opinion on Compliance for Each of the Other Major Programs. Material instances of noncompliance are identified - Material weaknesses and significant deficiencies are reported (Before Implementation of SAS No. 134 and other related SASs)**

**LETTERHEAD**

**Report On Compliance With Requirements Applicable To Each Major State Program And Internal Control Over Compliance; In Accordance With the Uniform Guidance and the State Single Audit Implementation Act**

**Independent Auditor’s Report**

To the Honorable Mayor and

Members of the City Council

City of Dogwood, North Carolina

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

We have audited the City of Dogwood, North Carolina, compliance with the types of compliance requirements [[24]](#endnote-23) described in the *Audit Manual for Governmental Auditors in North Carolina*,[[25]](#endnote-24) issued by the Local Government Commission, that could have a direct and material effect[[26]](#endnote-25) on each of the City of Dogwood’s major state programs for the year ended June 30, 20XX. The City of Dogwood’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.[[27]](#endnote-26)

**Management’s Responsibility**

Management is responsible for compliance with state statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Dogwood’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and applicable sections of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act.2 Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Dogwood’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City of Dogwood’s compliance.

**Basis for Qualified Opinion on [Identify Major State Program(s)][[28]](#endnote-27)**

As described in the accompanying schedule of findings and questioned costs, The City of Dogwood did not comply with requirements regarding [[29]](#endnote-28) *[identify the major state program and associated finding number(s) matched to the type(s) of compliance requirements: for example State County Special Assistance as described in finding numbers 20XX-1 for Eligibility and 20XX for Reporting].[[30]](#endnote-29)* Compliance with such requirements is necessary, in our opinion, for The City of Dogwood to comply with the requirements applicable to that program.

**Qualified Opinion on [Identify Major State Program]**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, The City of Dogwood complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on [*identify the major state program*] for the year ended June 30, 20XX.

**Unmodified Opinion on Each of the Other Major State Program(s)[[31]](#endnote-30)**

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

**Other Matters[[32]](#endnote-31)**

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example, 20XX-1 and 20XX-2] Our opinion on each major state program is not modified with respect to these matters.

The City of Dogwood’s response to the noncompliance findings identified in our audit is described in the accompanying [*insert the name of the document containing management’s response to the auditor’s findings; for example, schedule of findings and questioned costs and/or corrective action plan].* The City of Dogwood’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.8

**Report on Internal Control Over Compliance[[33]](#endnote-32)**

Management of the City of Dogwood is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dogwood’s internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with OMB Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [list the reference numbers of the related findings, for example 20XX-1 and 20XX-2][[34]](#endnote-33) to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items [*list the reference numbers of the related findings, for example 20XX-3 and 20XX-4*] to be significant deficiencies.

The City of Dogwood’s response to the internal control over compliance findings identified in our audit are described in the accompanying *[insert name of document containing management’s response to the auditor’s findings; for example, schedule of findings and questioned costs and/or corrective action plan]*. The City of Dogwood’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.**[[35]](#endnote-34)**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.[[36]](#endnote-35)

*[Firm’s Signature]*

*[Auditor’s city and state]*

*[Date][[37]](#endnote-36)*

**Example 4 –** **Unmodified Opinion on Compliance for Each Major Program. No instances of noncompliance are identified. Significant deficiencies are reported. Single audit issued under separate cover from basic financial statements (Before Implementation of SAS No. 134 and other related SASs)**

**LETTERHEAD**

**Report On Compliance For Each Major State Program; Report on Internal Control Over Compliance; In accordance with the Uniform Guidance; and the State Single Audit Implementation Act**

**Independent Auditor’s Report**

To the Honorable Mayor and

Members of the City Council

City of Dogwood, North Carolina

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

We have audited the City of Dogwood, North Carolina, compliance with the types of compliance requirements[[38]](#endnote-37) described in the *Audit Manual for Governmental Auditors in North Carolina*,[[39]](#endnote-38) issued by the Local Government Commission, that could have a direct and material effect[[40]](#endnote-39) on each of the City of Dogwood’s major state programs for the year ended June 30, 20XX. The City of Dogwood’s major state programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.[[41]](#endnote-40)

**Management’s Responsibility**

Management is responsible for compliance with State statutes, regulations, and the terms and conditions of its state awards applicable to its state programs.

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the City of Dogwood’s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the State Single Audit Implementation Act.2 Those standards, the Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the City of Dogwood’s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the City of Dogwood’s compliance.

**Opinion on Each Major State Program**

In our opinion, the City of Dogwood complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 20XX.[[42]](#endnote-41)

**Report on Internal Control Over Compliance[[43]](#endnote-42)**

Management of the City of Dogwood is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City of Dogwood’s internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City’s internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. However, we did identify certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items *[list the reference numbers of the related findings, for example, 20X1-3, 20X1-4, and 20X1-5]* 6 that we consider to be significant deficiencies.

The City of Dogwood’s response to the internal control over compliance findings identified in our audit are described in the accompanying *[insert name of document containing management’s response to the auditor’s findings; for example, schedule of findings and questioned costs and/or corrective action plan]*. The City of Dogwood’s response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.**[[44]](#endnote-43)**

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.[[45]](#endnote-44)

**Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State Single Audit Implementation Act[[46]](#endnote-45)**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Dogwood as of and for the year ended June 30, 20XX, and the related notes to the financial statements, which collectively comprise City of Dogwood’s basic financial statements. We issued our report thereon dated August 15, 20XX, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Dogwood’s basic financial statements. The accompanying schedule of expenditures of federal and State awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State Single Audit Implementation Act and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In in our opinion, schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

 *[Firm’s Signature]*

*[Auditor’s city and state]*

*[Date][[47]](#endnote-46)*

1. The Auditing Standards Board of the AICPA has issued SASs No. 134 to 140 that will revise the auditor reports for fiscal years ending on or after December 15, 2021. Early implementation is allowed. The examples provided must not be used for fiscal years ending on or after December 15, 2021. [↑](#footnote-ref-1)
2. The phrase “types of compliance requirements” used in this report refers to the 12 types of compliance requirements (identified as “A” through “N”) described in Part 3 of the OMB *Compliance Supplement* and each individual special test and provision identified in Part 4 of the Compliance Supplements for each major program. For purposes of reporting audit findings, auditors are alerted that certain types of compliance requirements may include multiple audit procedures with multiple audit objectives. If a State program is not included in the compliance supplement, the auditor should review the program’s contract and grant agreements along with any applicable State statutes, regulations, and terms and conditions of its State program in determining the types of compliance requirements that are direct and material to a major program. [↑](#endnote-ref-1)
3. The authority for single audit requirements for State awards is with the State Single Audit Act of 1996 and G.S. 159-34. The audit requirements for State awards are found in the *Audit Manual for Governmental Auditors in North Carolina*, section 35-E (“Discussion of Single Audit in North Carolina”). [↑](#endnote-ref-2)
4. The auditor’s report on compliance with applicable state statutes, regulations, and the terms and conditions of its state awards should include an opinion (or disclaimer of opinion) regarding whether the auditee complied with applicable state statutes, regulations, and the terms and conditions of its state awards that could have a direct and material effect on each major program. [↑](#endnote-ref-3)
5. In situations where the audit of state awards may not encompass the entirety of the auditee’s operations, the operations that are not included should be identified in a separate paragraph following the first paragraph of the report. An example of such paragraph is:

The City of Dogwood, North Carolina’s basic financial statements include the operations of [identify component organization, such as component unit], which received [include dollar amount] in state awards which is not included in the schedule during the year ended June 30, 20XX. Our audit, describe below, did not include the operations of [identify component organization] because [state the reason for the omission, such as component unit engaged other auditors to perform an audit in accordance with the State Single Audit Implementation Act]. [↑](#endnote-ref-4)
6. Section 200.516 (a) (2) of Uniform Guidance states that in determining material noncompliance of state awards related to a major programs, the auditor’s determination of whether a noncompliance with state statutes, regulations, and the terms and conditions of its state awards is material for the purpose of reporting an audit finding that is in relation to a type of compliance requirement for a major program or an audit objective identified in the OMB *Compliance Supplement* (refer to footnote 1, Example 1). This would be noted in the schedule of findings and questioned costs. If the auditor reports instances of noncompliance, this is noted in a paragraph under the heading “Other Matters.” If there is no noncompliance identified, the Other Matters section would be omitted. [↑](#endnote-ref-5)
7. This section addresses internal control over compliance with requirements that could have a direct and material effect on a major program. Uniform Guidance requires the report to identify any significant deficiencies or material weaknesses in internal control that were noted. The auditor’s determination of whether a deficiency in internal control over compliance is a significant deficiency or material weakness for the purpose of reporting an audit finding is also related to a type of compliance requirement for a major program or an audit objective identified in the Compliance Supplement (refer to footnote 1 and 5, example 1).

If an auditor prefers to issue a separate report on internal controls over compliance, this section would be omitted for the report. AU-C 935 includes the requirements for separating reporting of internal controls over compliance. [↑](#endnote-ref-6)
8. It is not required to include a definition of *significant deficiency in internal control over compliance* in the report if no significant deficiencies in internal control over compliance are identified. However, the definition is included in the sample report for clarity. The definitions of *deficiency in internal control over compliance* and material weakness in *in internal control over compliance* are required in all reporting. [↑](#endnote-ref-7)
9. AICPA’s Audit Guide, *Governmental Auditing Standards and Single Audits* recommends reporting on the schedule of expenditures of federal and state awards in the report on the financial statements. There may be certain circumstances when the auditor’s report on the schedule is incorporated into the report issued to meet the requirements of Uniform Guidance. Usually this is when the single audit reporting package is issued under separate cover than that of the financial statements. Refer to Example 4 for an illustration of in-relation-to reporting on the schedule of expenditures of federal and state awards. [↑](#endnote-ref-8)
10. This paragraph has been adapted from AU-C section 905, *Alert That Restricts the Use of the Auditor’s Written Communication*, that relates to the reporting on internal control over compliance that is required in an audit of compliance in accordance with Uniform Guidance. [↑](#endnote-ref-9)
11. When the required procedures for reporting on supplementary information have been performed on financial information reported in the financial statements on an earlier date that that of the auditor’s Report on Compliance for Each Major State Program,” the auditor would dual date the report. Illustrative wording for dual dating is as follows:

[Date], except for our report on the Schedule of Expenditures of Federal and State Awards, for which the date is [Date of the Auditor’s Opinion on the Financial Statements]. [↑](#endnote-ref-10)
12. Refer to Example 1, footnote 1. [↑](#endnote-ref-11)
13. Refer to Example 1, footnote 2 [↑](#endnote-ref-12)
14. Refer to Example 1, footnote 3 [↑](#endnote-ref-13)
15. Refer to Example 1, footnote 4 [↑](#endnote-ref-14)
16. Refer to Example 1, footnote 5 [↑](#endnote-ref-15)
17. The finding numbers referenced are from the schedule of findings and questioned costs that are suggested in the Uniform Guidance §\_\_\_.516(c) adopted by the State Single Audit Implementation Act. The auditor may consider adding a table to clearly communicate the findings especially if the opinion is qualified.

As describe in Findings 20XX-1 and 20XX-2 in the accompanying schedule of findings and questioned costs, the City of Dogwood did not comply with requirements regarding the following:

|  |  |  |
| --- | --- | --- |
| Finding No. | Program (or Cluster) Name | Compliance requirement |
| 20XX-1 | State / County Special Assistance | Eligibility |
| 20XX-2 | State / County Special Assistance | Reporting |

Compliance with such requirements is necessary, in our opinion, for the City of Dogwood to comply with the requirements applicable to that program. [↑](#endnote-ref-16)
18. Refer to Example 1, footnote 6 [↑](#endnote-ref-17)
19. Refer to Example 1, footnote 7. [↑](#endnote-ref-18)
20. This paragraph is not required; it may be included to clarify that the auditor is not providing an opinion on management’s response(s) to findings(s). [↑](#endnote-ref-19)
21. Refer to Example 1, footnote 8 [↑](#endnote-ref-20)
22. Refer to Example 1, footnote 9 [↑](#endnote-ref-21)
23. Refer to Example 1, footnote 10 [↑](#endnote-ref-22)
24. Refer to Example 1, footnote 1. [↑](#endnote-ref-23)
25. Refer to Example 1, footnote 2. [↑](#endnote-ref-24)
26. Refer to Example 1, footnote 3. [↑](#endnote-ref-25)
27. Refer to Example 1, footnote 4. [↑](#endnote-ref-26)
28. The heading to this section, and the qualified opinion paragraph that follows, illustrates identifying the specific major programs being referred to in each heading. [↑](#endnote-ref-27)
29. In accordance with G.S. 159-34, the State Single Audit Implementation Act, the Secretary of the Local Government Commission has determined that sections of the Uniform Guidance apply to the audit of State awards. This includes 510(a) audit findings. The auditor determination of whether a noncompliance with the provisions of laws, regulations, contracts, or grant agreements is material for the purpose of reporting an audit finding that is in relation to a type of compliance requirement for a major program or an audit objective identified in the OMB Compliance Supplement (refer to footnote 1, Example 1). [↑](#endnote-ref-28)
30. Refer to Example 2, footnote 6. [↑](#endnote-ref-29)
31. There is nothing to preclude an auditor from including the names(s) of the programs for which the auditor is providing an unmodified opinion in this heading or in the opinion paragraph itself. This example references the finding by the number as suggested in the Uniform Guidance §\_\_\_.516(c) adopted by the State Single Audit Implementation Act. [↑](#endnote-ref-30)
32. Refer to Example 1, footnote 5. [↑](#endnote-ref-31)
33. Refer to Example 1, footnote 6. [↑](#endnote-ref-32)
34. Refer to Example 2, footnote 6. [↑](#endnote-ref-33)
35. Refer to Example 2, footnote 9 [↑](#endnote-ref-34)
36. Refer to Example 1, footnote 9. [↑](#endnote-ref-35)
37. Refer to Example 1, footnote 10. [↑](#endnote-ref-36)
38. Refer to Example 1, footnote 1. [↑](#endnote-ref-37)
39. Refer to Example 1, footnote 2. [↑](#endnote-ref-38)
40. Refer to Example 1, footnote 3. [↑](#endnote-ref-39)
41. Refer to Example 1, footnote 4. [↑](#endnote-ref-40)
42. Refer to Example 1, footnote 5. [↑](#endnote-ref-41)
43. Refer to Example 1, footnote 6. [↑](#endnote-ref-42)
44. Refer to Example 2, footnote 9 [↑](#endnote-ref-43)
45. Refer to Example 1, footnote 9. [↑](#endnote-ref-44)
46. AICPA’s Audit Guide, *Governmental Auditing Standards and Single Audits* recommends reporting on the schedule of expenditures of federal and state awards in the report on the financial statements. There may be certain circumstances when the auditor’s report on the schedule is incorporated into the report issued to meet the requirements of applicable sections of the Uniform Guidance adopted by the State Single Audit Implementation Act. Usually this is when the single audit reporting package is issued under separate cover than that of the financial statements. Another option is reporting on the schedule of expenditures of federal and state awards in a separate report all to itself. [↑](#endnote-ref-45)
47. Refer to Example 1, footnote 10. [↑](#endnote-ref-46)