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SECTION 600

Planning and General

[Under revision; available in a future update.]

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SECTION 700

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(This section is reserved.)

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SECTION 800

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[Under revision; available in a future update.]

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(This section is reserved.)

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SECTION 1000

Reporting

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Reporting

1001 - MANAGEMENT REPRESENTATIONS

- .01 This section deals with the management representations that the auditor is required to obtain from current management as part of the audit, as described in sections 280 and 550. It covers the four general areas of representations: representations about the financial statements, internal control, financial management systems' substantial compliance with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA), and compliance with laws and regulations. In the AICPA standards, these representations are discussed in sections AU 333 (SAS 85), AT 501.44 (from *Statement on Standards for Attestation Engagements* (SSAE) Number 10, paragraph 5.44), and AU 801. OMB audit guidance also contains guidance on management representations letters.
- .02 Written representations from management ordinarily confirm oral representations given to the auditor, indicate and document the continuing appropriateness of those representations, and reduce the possibility of misunderstanding. Management representations are not a substitute for audit procedures. If a representation is contradicted by other audit evidence, the auditor should investigate the circumstances and consider the reliability of the representation. Also, the auditor should then consider whether it is appropriate to rely on other management representations. Management's refusal to furnish written representations is a scope limitation sufficient to preclude an unqualified opinion.
- .03 The specific representations obtained will depend on the circumstances of the engagement and the nature and basis of presentation of the financial statements. These representations apply to all the financial statements and all periods covered by the audit report. In addition to the representations given in the AICPA standards, the auditor generally should consider the need to obtain representations on other matters based on the circumstances of the audited entity. Also, the representations given in the example representation letter in section 1001 A should be deleted if inapplicable or customized to the situation of the entity being audited.
- .04 The management representation letter should be obtained from the highest level of the audited entity. The officials who sign the management representation letter should be those who, in the auditor's view, are responsible for and knowledgeable, directly or through others, about the matters in the representation letter. These officials should generally be the

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1001 - Management Representations

head of the entity and the CFO, or equivalent. Additional management representation letters should be obtained from any component units for which separate reports are to be issued.

- .05 The management representation letter should be on the audited entity's letterhead. The representations should be as of a date no earlier than the date of the auditor's report—the end of fieldwork. To ensure the letter is ready in time, a draft letter generally should be provided to and discussed with management early in the audit and updated for circumstances found throughout the audit. Where management signs the letter after the end of fieldwork, the letter should state that the representations are as of the date of the audit report. If management signs the letter before the end of fieldwork, the auditor generally should obtain a separate letter to update the representations to the end of fieldwork. However, where the time difference is short, the auditor may update the representations orally and document the update in the workpapers.
- .06 Although the management representation letter generally should be addressed to the Comptroller General (at GAO) or the agency IG, the audit team should consider having the entity deliver it directly to a member of the team to avoid any delays in receiving the letter.
- .07 Especially for large audited entities, management may need to specify a materiality threshold in the management representation letter, below which items would not be considered exceptions. The auditor should be satisfied that such a materiality threshold is so far below design materiality that even many items below this level would not, in the aggregate, approach design materiality. For example, a threshold that is 5 percent (or less) of design materiality may be sufficiently low. The materiality level may be different for different representations and would not apply to those representations not directly related to amounts in the financial statements (such as responsibility for the statements).

REPRESENTATIONS RELATING TO THE FINANCIAL STATEMENTS

- .08 Paragraph AU 333.06 lists 17 management representations that are ordinarily included in a GAAS audit if applicable. These generally relate to management acknowledging its responsibility for the financial statements and its belief that the financial statements are fairly presented in conformity

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with generally accepted accounting principles; completeness of financial information; recognition, measurement, and disclosure; and subsequent events. Examples of additional representations that may be appropriate depending on an entity's business or industry are given in appendix B to AU 333. The auditor may review section AU 333 for items that could be added to the representations, many of which would have to be modified in the federal government environment. (OMB has added a representation dealing with intragovernmental transactions and their reconciliations for CFO Act agencies and components.)

.09 Appendix B of AU 333 gives example language for the following situations:

General

- Unaudited interim information accompanies the financial statements.
- The impact of a new accounting principle is not known.
- There is justification for a change in accounting principles.
- Financial circumstances are strained, with disclosure of management's intentions and the entity's ability to continue as a going concern.
- The possibility exists that the value of specific significant long-lived assets or certain identifiable intangibles may be impaired.
- The work of a specialist has been used by the entity.

Cash

- Disclosure is required of compensating balances or other arrangements involving restrictions on cash balances, line of credit, or similar arrangements.

Financial instruments

- Management intends to and has the ability to hold to maturity debt securities classified as held to maturity.
- Management considers the decline in value of debt or equity securities to be temporary.
- Management has determined the fair value of significant financial instruments that do not have readily determinable market values.
- There are financial instruments with off-balance-sheet risk and financial instruments with concentrations of credit risk.

Receivables

- Receivables have been recorded in the financial statements.

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Inventories

- Excess or obsolete inventories exist.

Deferred charges

- Material expenditures have been deferred.

Debt

- Short-term debt could be refinanced on a long-term basis, and management intends to do so.

Contingencies

- Estimates and disclosures have been made of environmental remediation liabilities and related loss contingencies.
- Agreements may exist to repurchase assets previously sold.

Pension and postretirement benefits

- An actuary measured pension liabilities and costs.
- There is involvement with a multiemployer plan.
- Postretirement benefits have been eliminated.
- Employee layoffs that would otherwise lead to a curtailment of a benefit plan are intended to be temporary.
- Management intends to either continue to make or not make frequent amendments to its pension or other postretirement benefit plans, which may affect the amortization period of prior service cost, or management has expressed a substantive commitment to increase benefit obligations.

Sales

- There may be losses from sales commitments.
- There may be losses from purchase commitments.
- Nature of the product or industry indicates the possibility of undisclosed sales terms.

- .10 The auditor generally should consider the need for additional customizing of the example representation letter given in section 1001 A and for the additional representations in paragraph 1001.09. Many of the representations may have to be qualified, especially in an initial audit or in later audits where significant problems remain. For instance, where the example representation letter states that there are no violations of laws or regulations, the entity may need to add at the end of the statement, "except as follows:" and describe the violations.

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- .11 In addition, the auditor generally should consider whether circumstances may require that additional descriptive items be included in the representation letter, especially as support for conclusions the auditor makes in the audit. This is important where the corroborating information that can be obtained by procedures other than inquiry is limited. For example, the letter should include descriptions of (1) the reasons for audited-entity-imposed scope limitations, such as lack of availability of certain records, (2) the basis for material liability estimates, key asset valuations, or the probability of contingencies, and (3) significant plans or intentions for the entity. For example, if the entity has a pension plan outside of the Civil Service Retirement System or the Federal Employees' Retirement System, an item should state that the entity does not plan to terminate the plan and that management believes the actuarial assumptions and methods used to measure pension liabilities and costs for financial reporting purposes are appropriate in the circumstances.

REPRESENTATIONS RELATING TO INTERNAL CONTROL

- .12 Internal control representations when the auditor opines on internal control are found in AT 501.44 (SSAE 10, paragraph 5.44). These representations relate to management's (1) acknowledging its responsibility for internal control, (2) stating that management has assessed the effectiveness of its internal control and specifying the control criteria used, (3) stating management's assertion about the effectiveness of its internal control based on the control criteria, (4) stating that management has disclosed to the auditor all significant deficiencies in the design or operation of internal control that could adversely affect the entity's ability to meet the internal control objectives and pointing out those that are material weaknesses (using the definition in the representation letter, which is the definition in AU 325), (5) describing any fraud, and (6) stating whether there were any changes to internal control subsequent to the end of the reporting period. Where the auditor is not opining on internal control, he or she should delete representations 2 and 3 above. Depending on circumstances, the auditor should consider modifying representation 4 above to remove the phrase "pointing out those that are material weaknesses." The auditor also should modify the introductory paragraph to the representation letter.
- .13 For items 2 and 3, the auditor expects entities to use criteria established under FMFIA and OMB Circular A-123 in their FMFIA internal control assessment. Standards in GAO's green pamphlet *Standards for Internal*

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Control in the Federal Government were established as standards for federal entities to follow, and they were incorporated by OMB into Circular A-123. The November 1999 update to these standards (GAO/AIMD-00-21.3.1) is effective for fiscal year 2000 FMFIA reports and incorporates concepts from the private sector guidance *Internal Control—Integrated Framework* by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Entities should summarize in the representation letter any material weaknesses relating to financial reporting (including safeguarding), compliance (including budget), and performance measures controls. Example wording for the representations is given in section 1001 A for the case where management asserts that its internal control as of the date of the financial statements provided reasonable assurance that misstatements, losses, or noncompliance material in relation to the financial statements or required supplementary stewardship information would be prevented or detected on a timely basis. If there are material weaknesses, management should include a brief description of them in its representation letter and modify its assertion accordingly.

- .14 For entities that have not formally assessed the effectiveness of their internal control, AT 501 (SSAE 10, chapter 5) provides that the auditor may assist management in its assessment by gathering or preparing information that management can use in evaluating the effectiveness of its internal control. The auditor may also use the information in forming an opinion on internal control. Thus, the example representations are appropriate for inclusion in the management representation letter if management and the auditor agree on the conclusions regarding the effectiveness of internal control.

REPRESENTATIONS RELATING TO FINANCIAL MANAGEMENT SYSTEMS' SUBSTANTIAL COMPLIANCE WITH FFMIA REQUIREMENTS

- .15 FFMIA requires the auditor who performs a CFO Act audit to report whether the entity's financial management systems comply substantially with (1) federal financial management systems requirements, (2) applicable federal accounting standards (now recognized as generally accepted accounting principles), and (3) the SGL at the transaction level. In order to report in accordance with FFMIA, the auditor should obtain representations from management as to the entity's systems' compliance with these requirements.

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- .16 The auditor should obtain representations that management takes responsibility for complying substantially with the FFMIA requirements, stating that it has assessed the systems' compliance, stating the criteria used, and asserting the systems' substantial compliance (or lack thereof). The criteria should be the requirements in OMB Circular A-127, *Financial Management Systems* (which incorporates the SGL, the JFMIP *Federal Financial Management Systems Requirements* documents, and other OMB circulars). These requirements are further described, including indicators of substantial compliance, in OMB's FFMIA implementation guidance for CFOs and IGs, referenced in OMB's audit guidance.

REPRESENTATIONS RELATING TO COMPLIANCE WITH LAWS AND REGULATIONS

- .17 AU 801.07 suggests that a representation relating to compliance with laws and regulations state that management has identified and disclosed to the auditor all laws and regulations that have a direct and material effect on the financial statements.
- .18 In addition, AT 601 (SSAE 10, chapter 6) deals with compliance attestation. The auditor is not required to follow this standard because it does not apply to audits reporting on compliance as part of an audit of financial statements or on audits reporting in accordance with *Government Auditing Standards*. However, in situations in which the auditor believes additional representations regarding compliance may be needed, examples are given in AT 601.68 (SSAE 10, paragraph 6.68).

EFFECT OF CHANGE IN MANAGEMENT ON REPRESENTATION LETTER

- .19 Sometimes management is reluctant to sign representations for periods when it did not manage the entity. The auditor should explain to management that by issuing the financial statements, it is making the assertions implicit in the financial statements. Management may wish to understand the transactions and controls supporting the financial statements, and the auditor should help it do so. Where a change in management is expected, the auditor may advise the new management to obtain representations from the old management about the period prior to the change.

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Reporting

1001 A - EXAMPLE MANAGEMENT REPRESENTATION LETTER

[Entity Letterhead]

[Date of auditor's report and completion of fieldwork]

The Honorable [name of Inspector General or Comptroller General]
[Inspector or Comptroller] General [of the United States]
[Name of agency] [or U.S. General Accounting Office]
Washington, D.C.

Dear [name]:

This letter is in connection with your audits of the [entity's] balance sheet as of September 30, 20X1 and 20X2, [or dates of audited financial statements] and the related statements of net costs, changes in net position, budgetary resources, financing, and custodial activity [if applicable], for the years then ended for the purposes of (1) expressing an opinion as to whether the financial statements are presented fairly, in all material respects, in conformity with generally accepted accounting principles, (2) expressing an opinion [or reporting] on [entity's] internal control as of September 30, 20X2 [or date of latest audited financial statements], (3) reporting whether the [entity's] financial management systems substantially comply with federal financial management systems requirements, applicable federal accounting standards (generally accepted accounting principles), and the *U.S. Government Standard General Ledger* at the transaction level as of September 30, 20X2, and (4) testing for compliance with applicable laws and regulations.

Certain representations in this letter are described as being limited to matters that are material. For purposes of this letter, matters are considered material if they involve \$X or more. Items also are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances,

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1001 A - Example Management Representation Letter

makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm, to the best of our knowledge and belief, the following representations made to you during the audits (these representations are as of [date of completion of fieldwork], pertain to both years' financial statements, and update the representations we provided in the prior year):

1. We are responsible for the fair presentation of the financial statements and stewardship information in conformity with generally accepted accounting principles.
2. The financial statements are fairly presented in conformity with generally accepted accounting principles.
3. We have made available to you all
 - a. financial records and related data,
 - b. where applicable, minutes of meetings of the Board of Directors [or other similar bodies, such as congressional oversight committees] or summaries of actions of recent meetings for which minutes have not been prepared, and
 - c. communications from the Office of Management and Budget (OMB) concerning noncompliance with or deficiencies in financial reporting practices.
4. There are no material transactions that have not been properly recorded in the accounting records underlying the financial statements or disclosed in the notes to the financial statements.
5. We believe that the effects of the uncorrected financial statement misstatements summarized in the accompanying schedule are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. [An example accompanying schedule is included in section 595 C.] [If management believes that certain of the identified items are not misstatements, management's belief may be acknowledged by adding to the representation, for example, "We believe

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1001 A - Example Management Representation Letter

that items XX and XX do not constitute misstatements because [description of reason]." [This representation is required for audits of financial statements for periods beginning on or after December 15, 1999.]

6. The [entity] has satisfactory title to all owned assets, including stewardship property, plant, and equipment; such assets have no liens or encumbrances; and no assets have been pledged.
7. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
8. Guarantees under which the [entity] is contingently liable have been properly reported or disclosed.
9. Related party transactions and related accounts receivable or payable, including assessments, loans, and guarantees, have been properly recorded and disclosed.
10. All intraentity transactions and balances have been appropriately identified and eliminated for financial reporting purposes, unless otherwise noted. All intragovernmental transactions and balances have been appropriately recorded, reported, and disclosed. We have reconciled intragovernmental transactions and balances with the appropriate trading partners for the four fiduciary transactions identified in Treasury's *Intra-governmental Fiduciary Transactions Accounting Guide*, and other intragovernmental asset, liability, and revenue amounts as required by OMB Bulletin 97-01, as amended.
11. There are no
 - a. possible violations of laws or regulations whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency,
 - b. material liabilities or gain or loss contingencies that are required to be accrued or disclosed that have not been accrued or disclosed, or
 - c. unasserted claims or assessments that are probable of assertion and must be disclosed that have not been disclosed.

Reporting**1001 A - Example Management Representation Letter**

12. We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
13. No material events or transactions have occurred subsequent to September 30, 20X2 [or date of latest audited financial statements], that have not been properly recorded in the financial statements and stewardship information or disclosed in the notes.
14. There has been no material fraud (intentional misstatements or omissions of amounts or disclosures in financial statements and misappropriation of assets that could have a material effect on the financial statements or stewardship information) or any fraud involving management or employees who have significant roles in internal control. [If there were any incidents of fraud meeting the foregoing criteria, they should be described.]
15. We are responsible for establishing and maintaining internal control.
16. Pursuant to the Federal Managers Financial Integrity Act, we have assessed the effectiveness of [entity's] internal control in achieving the following objectives:
 - a. reliability of financial reporting—transactions are properly recorded, processed, and summarized to permit the preparation of financial statements and stewardship information in accordance with generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use or disposition;
 - b. compliance with applicable laws and regulations—transactions are executed in accordance with (i) laws governing the use of budget authority and with other laws and regulations that could have a direct and material effect on the financial statements and (ii) any other laws, regulations, and governmentwide policies identified by OMB in its audit guidance; and
 - c. reliability of performance reporting—transactions and other data that support reported performance measures are properly recorded, processed, and summarized to permit the preparation of performance information in accordance with criteria stated by management.

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17. Those controls in place on September 30, 20X2 [or date of latest audited financial statements], provided reasonable assurance that the foregoing objectives are met.

[If there are material weaknesses, the foregoing representation should be modified to read:

Those controls in place on September 30, 20X2, provided reasonable assurance that the foregoing objectives are met except for the effects of the material weaknesses discussed below or in the attachment.

or: Internal controls are not effective.

or: Internal controls do not meet the foregoing objectives.]

18. We have disclosed to you all significant deficiencies in the design or operation of internal control that could adversely affect the entity's ability to meet the internal control objectives and identified those we believe to be material weaknesses. [This item is not required if the auditor is not opining on internal control.]
19. There have been no changes to internal control subsequent to September 30, 20X2 [or date of latest audited financial statements], or other factors that might significantly affect it. [If there were changes, describe them, including any corrective actions taken with regard to any significant deficiencies or material weaknesses.] [This item is not required if the auditor is not opining on internal control.]
20. We are responsible for implementing and maintaining financial management systems that comply substantially with federal financial management systems requirements, federal accounting standards (generally accepted accounting principles), and the *U.S. Government Standard General Ledger* at the transaction level.
21. We have assessed the financial management systems to determine whether they comply substantially with these federal financial management systems requirements. Our assessment was based on guidance issued by OMB.

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1001 A - Example Management Representation Letter

22. The financial management systems complied substantially with federal financial management systems requirements, federal accounting standards, and the *U.S. Government Standard General Ledger* at the transaction level as of [date of the latest financial statements].

[If the financial management systems substantially comply with only one or two of the above elements, this representation should be modified as follows:

As of [date of financial statements], the [entity's] financial management systems comply substantially with [specify which of the three elements for which there is substantial compliance (e.g., federal accounting standards and the SGL at the transaction level)], but did not comply substantially with [specify which of the elements for which there was a lack of substantial compliance (e.g., federal financial management systems requirements)], as described below (or in an attachment).]

[If the financial management systems do not comply substantially with any of the three elements, the following paragraph should be used instead:

As of [date of financial statements], the [entity's] financial management systems do not comply substantially with the federal financial management systems requirements.]

[If there is a lack of substantial compliance with one or more of the three requirements, identify herein or in an attachment all the facts pertaining to the noncompliance, including the nature and extent of the noncompliance and the primary reason or cause of the noncompliance.]

23. We are responsible for [entity's] compliance with applicable laws and regulations.

24. We have identified and disclosed to you all laws and regulations that have a direct and material effect on the determination of financial statement amounts.

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1001 A - Example Management Representation Letter

25. We have disclosed to you all known instances of noncompliance with laws and regulations.

[Name of Head of Entity]
[Title]

[Name of Chief Financial Officer]
[Title]

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Reporting

1002 - RESERVED

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Reporting

1003 - FINANCIAL STATEMENT AUDIT COMPLETION CHECKLIST

Entity: _____

Job Code: _____

Principal Report: _____

Other Reports (including management letters and testimonies): _____

INSTRUCTIONS

- .01 This checklist is a tool to help auditors of financial statements comply with generally accepted government auditing standards (GAGAS) and with OMB audit guidance. This checklist should be completed before the report is issued and should be prepared by the audit manager and reviewed by the assistant director and audit director. If the audit is conducted at multiple sites, the site supervisor may complete parts of the checklist for each site (with the audit manager completing an overall checklist). While parts of the checklist are useful in audit planning, no specific signatures are required on the checklist in the planning phase.
- .02 The detailed questions in this checklist are to be answered "N/A" (not applicable), "Yes," or "No." Check N/A when the item does not exist or when the item exists but is judged to be not material. It is not necessary to create additional documentation to support the Yes answers, but a column is provided to give a workpaper reference ("W/P"). All No answers should be discussed at the end of this checklist. Because the checklist is designed for the wide range of financial statement audits, there will be many "not applicable" answers. If the reason why a question is not applicable is not obvious, the auditor should document the reason on the checklist or in an attachment. The questions are summarized; for most questions, there is a reference to professional literature that provides more detail.
- .03 Section V has questions on GAO's report considerations; section VI has questions on GAO's quality control. GAO auditors should complete these sections. IG auditors and other auditors may use these sections or may substitute forms that consider their reporting style and quality controls.
- .04 As noted in FAM 650, auditors whose work GAO and the IGs use may complete this checklist and the "Checklist for Reports Prepared under the CFO Act." Where this

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1003 - Financial Statement Audit Completion Checklist

has been done, GAO or IG auditors should review the checklists prepared by the other auditors.

- .05 The FAM includes a separate "Checklist for Reports Prepared under the CFO Act" (section 1004) that covers accounting, financial reporting, and disclosure issues and should be completed for all entities reporting under generally accepted accounting principles promulgated by FASAB. When the report covers financial statements prepared using generally accepted accounting principles promulgated by FASB, the auditor should prepare the appropriate AICPA disclosure checklist.
- .06 GAO auditors should prepare the "GAO workpaper set" that provides guidance on workpapers. IG and other auditors may develop similar tools.
- .07 For GAO's financial audits, a second partner review should be performed and the Chief Accountant should read the report. These reviews by the second partner and/or Chief Accountant are documented on the last two pages of this checklist. IG auditors and other auditors should consider the need for similar reviews.

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1003 - Financial Statement Audit Completion Checklist

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References:

AICPA Professional Standards (vol. 1)	AU
GAO/PCIE Financial Audit Manual.....	FAM
Government Auditing Standards, as amended	GAGAS

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1003 - Financial Statement Audit Completion Checklist

Section I: Planning and Concluding the Audit	N/A	Yes	No	W/P
1. Do the workpapers document that the audit team has established an understanding with the client as to the objectives of the work, management's responsibilities, auditors' responsibilities, and limitations of the work? (FAM 280)	—	—	—	—
2. Were entrance conferences held?	—	—	—	—
3. Does the entity profile (or equivalent) document an understanding of the entity sufficient to plan the audit? (FAM 290.03)	—	—	—	—
4. Do the workpapers contain an adequate general risk analysis or the equivalent? (FAM 290.04)	—	—	—	—
5. Did the audit team adequately perform and document the following planning steps? (FAM 290.04)				
a. Perform preliminary analytical procedures (FAM 225)	—	—	—	—
b. Determine planning, design, and test materiality (FAM 230)	—	—	—	—
c. Identify significant laws and regulations (FAM 245)	—	—	—	—
d. Identify relevant budget restrictions (FAM 250)	—	—	—	—
e. Understand the budget formulation process (FAM 260.51)	—	—	—	—
(continued on next page)				

Reporting
1003 - Financial Statement Audit Completion Checklist

Section I: Planning and Concluding the Audit	N/A	Yes	No	W/P
<p>5. (continued)</p> <p>f. Assess inherent risk and the overall effectiveness of the control environment, risk assessment, communication, and monitoring, including whether weaknesses in the control environment, risk assessment, communication, and monitoring preclude the effectiveness of specific control activities (FAM 260)</p> <p>g. Assess the risk of fraud (FAM 260)</p> <p>h. Design the audit to achieve an acceptable level of audit assurance that the financial statements are not materially misstated (GAO uses 95 percent) (FAM 260.04)</p> <p>i. Consider the effects of information technology, including service centers (FAM 220, 260.17, 260.41-42, and 270)</p> <p>j. Assess the FMFIA process (FAM 260.43)</p> <p>k. Consider operations controls to be tested (FAM 275)</p> <p>l. Understand performance measures controls (FAM 275)</p> <p>m. Plan other procedures (representation letters, related party transactions, sensitive payments) (FAM 280)</p> <p>n. Consider locations to be visited (FAM 285)</p> <p>(continued on next page)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>

Reporting**1003 - Financial Statement Audit Completion Checklist**

Section I: Planning and Concluding the Audit	N/A	Yes	No	W/P
5. (continued)				
o. Plan procedures to test whether the entity's financial management systems substantially comply with the requirements of FFMIA (FAM 350.20)	—	—	—	—
p. Consider staffing requirements	—	—	—	—
q. Consider timing of procedures and milestones (FAM 295 D)	—	—	—	—
r. Consider assistance from entity personnel	—	—	—	—
6. Does the general risk analysis or the equivalent reflect appropriate consideration of findings and recommendations from previous audits that could affect the current audit objectives? (GAGAS, par. 4.10)	—	—	—	—
7. Did the audit team identify budget controls for each relevant budget restriction and perform sufficient work to support the conclusions on internal control? (FAM 250, 310.05, 330.09)	—	—	—	—
8. Did the audit team identify compliance controls and perform sufficient work to support the conclusions on internal control? (FAM 245, 310.05, 330.09)	—	—	—	—
9. If the audit team used the work of others (CPA firms, IGs, internal auditors, or specialists), did the audit team meet the requirements of FAM 650?	—	—	—	—

Reporting
1003 - Financial Statement Audit Completion Checklist

Section I: Planning and Concluding the Audit	N/A	Yes	No	W/P
10. Did the audit team perform overall analytical procedures, including documentation of the following?				
a. Expectations	—	—	—	—
b. Data/sources	—	—	—	—
c. Parameters	—	—	—	—
d. Explanations/corroborations	—	—	—	—
e. Conclusions (FAM 590.04)	—	—	—	—
11. Do the workpapers indicate that the audit team properly performed the following procedures in the reporting phase of the audit? (FAM 590.01)				
a. Evaluate misstatements (FAM 540)	—	—	—	—
b. Bring all misstatements to the attention of entity management (FAM 540.07)	—	—	—	—
c. Obtain attorneys' representations (FAM 550.02)	—	—	—	—
d. Review subsequent events (FAM 550.04 and 1005)	—	—	—	—
e. Obtain management representations (FAM 550.08 and 1001)	—	—	—	—
f. Identify and test related party transactions (FAM 550.12 and 1006)	—	—	—	—
g. Review the consistency of other information accompanying the financial statements (FAM 580.76)	—	—	—	—

Reporting
1003 - Financial Statement Audit Completion Checklist

Section I: Planning and Concluding the Audit	N/A	Yes	No	W/P
<p>12. Does the audit summary memorandum or equivalent properly summarize or refer to workpapers addressing the following? (FAM 590.02-.03)</p>				
<p>a. Changes from original risk assessments</p>	—	—	—	—
<p>b. Additional fraud risk factors or other conditions identified during the audit calling for an additional response and the additional response</p>	—	—	—	—
<p>c. The basis for conclusions on significant auditing, accounting, and reporting issues</p>	—	—	—	—
<p>d. Conclusions on adequacy of procedures</p>	—	—	—	—
<p>e. Unadjusted misstatements</p>	—	—	—	—
<p>f. Conclusions on financial statements</p>	—	—	—	—
<p>g. Conclusions on internal control</p>	—	—	—	—
<p>h. Conclusions on whether the entity's financial management systems meet the requirements of FFMIA</p>	—	—	—	—
<p>i. Conclusions on compliance with laws and regulations</p>	—	—	—	—
<p>j. Conclusions on the consistency of accompanying information with the principal statements</p>	—	—	—	—

Reporting
1003 - Financial Statement Audit Completion Checklist

Section I: Planning and Concluding the Audit	N/A	Yes	No	W/P
<p>13. Do the workpapers document that the following occurred?</p> <p>a. Deviations from the "should" procedures in the FAM and the basis therefor were approved by the assistant director with copies of the documentation sent to the audit director and the Reviewer</p> <p>b. Deviations from the "must" procedures in the FAM were approved by the Reviewer (FAM 100.27)</p>	<p>—</p> <p>—</p>	<p>—</p> <p>—</p>	<p>—</p> <p>—</p>	<p>—</p> <p>—</p>

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p>Answer these questions for each key audit area or cycle. Indicate the key audit areas and cycles these questions apply to: _____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>1. Did the audit team prepare the following documentation summarizing considerations in planning and performing the work in the key audit areas and cycles?</p> <p>a. Cycle Matrix or an equivalent (or documentation in Account Risk Analysis or an equivalent) showing links between accounts, cycles, applications and line items (FAM 290.05)</p> <p>b. Account Risk Analysis or an equivalent (FAM 290.06)</p> <p>c. Cycle Memorandum and/or flowchart or equivalents (FAM 390.04-.05)</p> <p>d. Specific Control Evaluation or an equivalent (FAM 390.06)</p> <p>e. Written audit program (AU 311.05)</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>			
<p>2. If conditions changed during the course of the audit, was the audit program modified as appropriate in the circumstances? (AU 311.05)</p>	<p>_____</p>	<p>_____</p>	<p>_____</p>	<p>_____</p>

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p>3. When the audit team performed sampling, did it properly determine and document the following?</p> <p>a. The method used in relation to test objectives</p> <p>b. Sample size and the method of determining it</p> <p>c. Tests performed</p> <p>d. Results (misstatements and deviations found)</p> <p>e. Evaluation (including projection to the population)</p> <p>f. Conclusion (FAM 490.06)</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>			
<p>4. When the audit team performed substantive analytical procedures, did it properly document the following?</p> <p>a. Expectations and the method used to develop them</p> <p>b. Data sources/reliability</p> <p>c. Limit/criteria</p> <p>d. Client explanations and corroborating evidence</p> <p>e. Additional steps needed</p> <p>f. Conclusions (FAM 490.06)</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>			

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p>5. When the audit team performed interim testing, did it do the following?</p> <p>a. Test the rollforward period</p> <p>b. Properly document:</p> <p>i. The basis for using interim testing</p> <p>ii. The procedures performed</p> <p>iii. The effects of any misstatements found (FAM 495C.06)</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>			
<p>6. Did the audit team evaluate the reasonableness of significant accounting estimates made by management? (AU 342)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>
<p>7. Were known and likely misstatements identified in the testing of the key area carried forward to the summary of possible adjustments? (FAM 540.04)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>
<p>8. Did an information systems auditor review the specific control evaluation to evaluate the audit team's decision on which controls are computer-related (including controls relating to service-center-produced records)? (FAM 350.09)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p>9. Based on the inherent and control risk, did the audit team perform adequate substantive tests of the following? (If not a key area, check the N/A box.)</p> <p><u>Fund Balance with Treasury (FBWT)</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> • Did the audit team test the agency's year-end reconciliation of Fund Balances with Treasury to Treasury account ledgers and trial balance reports (Financial Management Service (FMS) Forms 6653, 6655)? • Did the audit team determine whether the auditee did the following? <ul style="list-style-type: none"> a. Researched and resolved differences before making adjustments b. Recorded any necessary adjustments in the agency's FBWT accounts c. Reported the adjustments to Treasury d. Disclosed in the notes to the financial statements material unreconciled differences and budget clearing account differences at year-end, and material unreconciled differences written off by the agency during the year? <p>(continued on next page)</p>	—	—	—	—

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p><u>Fund Balance with Treasury</u> (continued)</p> <ul style="list-style-type: none"> Did the audit team assess (at absolute value) the materiality of unreconciled differences, such as those reported on the Statement of Differences (FMS form 6652) and those included in budget clearing accounts (such as budget accounts F3875, F3878, F3879)? (GAO/AIMD-97-104R) 				
<p><u>Receivables</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> Where practical, were accounts receivable confirmed and appropriate follow-up steps taken, including second requests and alternate procedures? (AU 330.30-.31) If substantive test were performed prior to year-end, was there an adequate review of transactions from the interim date to the balance sheet date? (AU 313.08-.09) If a significant number and amount of accounts receivable were not confirmed, were other appropriate auditing procedures performed? (AU 330.31-.32) 	---	---	---	---

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p><u>Inventories</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> • Were physical inventories observed at all locations where material amounts were located? (AU 331) • If perpetual inventory records are maintained, do the workpapers indicate that differences disclosed by the physical inventory (or cycle counts) are properly reflected in the financial statements? (AU 331) • When the physical inventory is taken at a date other than the balance sheet date (or where rotating procedures are used), did the auditor consider inventory transactions between the inventory date(s) and the balance sheet date? (AU 313.08-09) • Do the workpapers contain evidence that counts were correctly made and recorded (was control over inventory tags or count sheets maintained) and test count quantities were reconciled with the counts reflected in the final inventory? (AU 331.09) <p>(continued on next page)</p>	—	—	—	—

Reporting
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Section II: Key Audit Areas	N/A	Yes	No	W/P
<p><u>Inventories</u> (continued)</p> <ul style="list-style-type: none"> • Were there adequate tests of the following? <ul style="list-style-type: none"> a. Clerical accuracy of the inventory b. Costing methods and substantiation of costs used in pricing all elements of the inventory c. Cutoff • Were analytical procedures used to test the overall valuation of inventories? 				
<p><u>Investments</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> • Was a summary schedule prepared (or obtained) and details tested with respect to the description, purchase price and date, changes during the period, income, market value, etc. of investments? • Were securities either examined or confirmed? (AU 332.04) 	---	---	---	---

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p><u>Property, Plant, and Equipment</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> • Was a summary schedule prepared (or obtained) to show beginning balances, changes during the period and ending balances for the following? <ul style="list-style-type: none"> a. Property, plant, and equipment b. Accumulated depreciation • If samples were used to determine opening balances, were the samples appropriate? • Did the audit team perform tests of completeness, such as by testing from disbursements to property records? • Do the tests appear adequate and were proper conclusions drawn? 	—	—	—	—
<p><u>Liabilities</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> • Did the audit team perform an adequate search for unrecorded liabilities? • Did the audit team consider expenses that might require accrual (e.g., pensions, compensated absences, other postretirement benefits, or postemployment benefits provided to former or inactive employees prior to retirement), and whether accrued expenses were reasonably stated? 	—	—	—	—

Reporting
1003 - Financial Statement Audit Completion Checklist

Section II: Key Audit Areas	N/A	Yes	No	W/P
<p><u>Revenue and Expenses</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> • Did the audit team compare revenue and expenses for the period to expectations, based on the budget and the results of the preceding period? (AU 329) • Were significant variances and fluctuations from expectations explained? (AU 329) • Did the audit team consider the following? <ul style="list-style-type: none"> a. The entity's revenue recognition policy b. Unusual transactions • Do tests appear adequate and were proper conclusions drawn? 	---	---	---	---
<p><u>Statement of Budgetary Resources</u></p> <p>Consider these issues:</p> <ul style="list-style-type: none"> • Were appropriate procedures applied, such as the following? <ul style="list-style-type: none"> a. Understanding and testing the budget execution controls b. Tests of the process of preparing the statement c. Tests of undelivered orders d. Review of reconciliation to the President's Budget 	---	---	---	---

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Section III: Consultation	N/A	Yes	No	W/P
<p>1. Where warranted by the complexity or unusual nature of an issue (for example, issues where the FAM requires consultation, issues not discussed in FAM or professional standards, going concern, economic dependency, issues arising after report issuance), was there appropriate consultation with specialists, including the following?</p> <ul style="list-style-type: none"> • The Reviewer (FAM Appendix A) • The Statistician (FAM Appendix A) • The Office of General Counsel (FAM Appendix A) • The Technical Accounting and Auditing Expert? (FAM 100.25) 	—	—	—	—
<p>2. Were significant consultations appropriately documented? (FAM 100.24)</p>	—	—	—	—
<p>3. Were the persons consulted made aware of all relevant facts and circumstances?</p>	—	—	—	—

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Section IV: Report	N/A	Yes	No	W/P
1. Does the auditor's report include the following?				
a. Introduction	___	___	___	___
b. Significant matters (if applicable)	___	___	___	___
c. Conclusions on:				
i. Financial statements	___	___	___	___
ii. Internal control	___	___	___	___
iii. Whether the entity's financial management systems substantially complied with the requirements of the Federal Financial Management Improvement Act of 1996 (FFMIA)	___	___	___	___
iv. Compliance with laws and regulations	___	___	___	___
v. Consistency of other information with financial statements	___	___	___	___
d. Objectives, scope, and methodology, including description of all instances where GAGAS and OMB audit guidance were not followed	___	___	___	___
e. Agency comments (FAM 580.04, 580.81)	___	___	___	___

Reporting
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Section IV: Report	N/A	Yes	No	W/P
<p>2. Is the auditor's report appropriate as to the following?</p> <p>a. Wording</p> <p>b. Scope of work</p> <p>c. Generally accepted accounting principles</p> <p>d. Explanatory paragraphs</p> <p>e. Opinion on financial statements</p> <p>f. Conclusions on internal control</p> <p>g. Conclusions on whether the entity's financial management systems substantially comply with the requirements of FFMIA</p> <p>h. Reporting on compliance with laws and regulations (FAM 580)</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p> <p>—</p>
<p>3. Is background material (purpose, authority, and functions of programs/activities) limited to what is necessary?</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>
<p>4. Is the auditor's report dated in conformity with professional standards? (AU 530) (FAM 1601)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>
<p>5. Does the auditor's report cover all periods for which financial statements are presented? (AU 508.65)</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>

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Section IV: Report	N/A	Yes	No	W/P
6. If the financial statements of a prior period are presented and have been audited by a predecessor auditor whose report is not presented, does the auditor's report refer to the predecessor auditor's report? (AU 508.74)	—	—	—	—
7. Does the auditor's report describe the responsibility the auditor is taking for supplementary information, including stewardship information? (AU 551; FAM 580.79)	—	—	—	—
8. a. When illegal acts involve funds received from other governmental entities, did the audit team satisfy itself that the audited entity notified the proper officials of those entities within a reasonable time? b. If the entity did not, or was unable to do so because the top official was involved, did the audit team report these acts to the officials of those other governmental entities? (GAGAS, par. 5.23)	—	—	—	—
9. Does the auditor's report include the following? a. Identification of which matters are reportable conditions and which of the reportable conditions are material weaknesses (GAGAS, par. 5.27) b. Reference to a separate letter, if applicable, describing nonreportable conditions (GAGAS, par. 5.28) c. Presentation of fraud, illegal acts, and reportable noncompliance with laws and regulations (GAGAS, par. 5.18)	—	—	—	—

Reporting
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Section IV: Report	N/A	Yes	No	W/P
10. When appropriate, did the audit team issue a separate report on fraud, abuse, or illegal acts or indications of such acts? (GAGAS, par 5.21)	___	___	___	___
11. Did the report disclose the status of all known, but uncorrected, significant or material findings and recommendations from prior audits that affect current audit objectives? (GAGAS par. 4.10)	___	___	___	___
12. Do the workpapers document a reasonable basis for the following? <ul style="list-style-type: none"> <li data-bbox="402 919 1040 1062">a. The opinion about whether the financial statements and disclosures comply in all material respects with generally accepted accounting principles (FAM 560) <li data-bbox="402 1094 948 1129">b. The conclusions on internal control <li data-bbox="402 1167 1008 1310">c. The conclusions on whether the entity's financial management systems substantially comply with the requirements of FFMIA <li data-bbox="402 1346 1000 1415">d. The conclusions about compliance with laws and regulations 	___	___	___	___

Reporting
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Section IV: Report	N/A	Yes	No	W/P
<p>13. Do the workpapers document a reasonable basis for reported findings, including the following? (FAM 590.05-06)</p> <p>a. Internal control weaknesses</p> <p>b. Instances of the entity's financial management systems lack of substantial compliance with the requirements of FFMIA</p> <p>c. Instances of noncompliance with laws and regulations</p>	<p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p>	<p>—</p> <p>—</p> <p>—</p>
<p>14. Do the findings include (where appropriate) the following?</p> <p>a. Condition (describe the existing situation)</p> <p>b. Criteria (state what we are comparing to)</p> <p>c. Cause (reflect reason or reasons why the condition and criteria differ)</p> <p>d. Effect (describe the result of the difference between the condition and criteria)</p>	<p>—</p> <p>—</p> <p>—</p> <p>—</p>			
<p>15. Are recommendations and suggestions reasonable, doable, and cost-effective?</p>	<p>—</p>	<p>—</p>	<p>—</p>	<p>—</p>

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Section IV: Report	N/A	Yes	No	W/P
16. Does the presentation of agency comments include the following?				
a. Type of comments obtained (oral, written)	___	___	___	___
b. Title of the most senior official(s) involved	___	___	___	___
c. Accurate characterization of general agreement or disagreement with the report	___	___	___	___
d. Description of the substance of the comments	___	___	___	___
e. Resolution of all substantive comments	___	___	___	___

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Section V: GAO's Report Considerations	Yes
<p>1. Overall, does the report have the following characteristics?</p> <p>a. Professional (the work reflects an understanding of the issues, an awareness of the external environment, including sensitivity to relevant trends, and a practical approach to what can be done to deal with the problems noted)</p> <p>b. Accurate (presents information or findings accurately; contains no notable errors in logic or reasoning)</p> <p>c. Objective (presentation is fair and impartial; tone is constructive and objective)</p> <p>d. Fact-based (states information and findings completely, includes all necessary facts and/or explanations, distinguishes between fact and unproven or uncorroborated material, resolves conflicting evidence)</p> <p>e. Balanced (presents sound and logical evidence to support conclusions, does not use adjectives or adverbs to characterize evidence in a way that implies criticism or conclusions by innuendo, appropriately recognizes positive aspects of the programs or issues reviewed)</p> <p>f. Timely and useful (provides relevant and timely information)</p> <p>g. Clear and concise (presentation is clear, concise, and well organized; message is presented logically; writing style is adapted to the audience)</p>	<p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p> <p>_____</p>

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Section VI: GAO's Quality Control	N/A	Yes	No	W/P
1. Was the report reviewed by the following?				
a. Audit Director	—	—	—	—
b. Office of the General Counsel	—	—	—	—
c. Chief Accountant	—	—	—	—
d. Second Partner	—	—	—	—
2. Did the audit director review the following? (FAM 1301.17)				
a. General risk analysis or equivalent	—	—	—	—
b. Account risk analyses or equivalent for material areas with high combined risk	—	—	—	—
c. Memoranda on key accounting and auditing issues	—	—	—	—
d. Summary memoranda for material areas with high or moderate combined risk	—	—	—	—
e. Management representation letter	—	—	—	—
f. Legal representation letter	—	—	—	—
g. Summary of unadjusted misstatements	—	—	—	—
h. Audit summary memorandum	—	—	—	—
i. Exit conference memorandum	—	—	—	—
j. Financial statements	—	—	—	—
k. GAO workpaper set (FAM 1301.17)	—	—	—	—

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Section VI: GAO's Quality Control	N/A	Yes	No	W/P
3. Did the assistant director review the following? (FAM 1301.17)				
a. Entity profile or equivalent	___	___	___	___
b. General risk analysis or equivalent	___	___	___	___
c. Account risk analyses or equivalent	___	___	___	___
d. Initial audit programs	___	___	___	___
e. Lead schedules	___	___	___	___
f. Completed audit programs	___	___	___	___
g. Memoranda on key accounting and auditing issues	___	___	___	___
h. Summary memoranda	___	___	___	___
i. Checklist for reports prepared under the CFO Act (for statements using GAAP promulgated by FASAB)	___	___	___	___
j. Financial reporting and disclosure checklist (for statements using GAAP promulgated by FASB)	___	___	___	___
k. Management representation letter	___	___	___	___
l. Legal representation letter	___	___	___	___
m. Summary of unadjusted misstatements	___	___	___	___
n. Exit conference memorandum	___	___	___	___
o. Audit summary memorandum	___	___	___	___
(continued on next page)				

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Section VI: GAO's Quality Control	N/A	Yes	No	W/P
3. (continued)				
p. Financial statements	—	—	—	—
q. GAO workpaper set (FAM 1301.17)	—	—	—	—
4. Did the assistant director or audit manager determine that all significant review notes were resolved appropriately? (FAM 1301.24)	—	—	—	—
5. Did an assistant director initial all workpaper bundle covers to indicate that all workpapers were sufficiently reviewed? (FAM 1301.05)	—	—	—	—
6. Were review notes, superseded versions of workpapers, and draft reports (except the referenced draft and the draft sent to the agency for comment), including review notes and superseded versions in electronic form, placed in a separate folder to be retained until the report is issued (unless the audit director decides to retain them until the next audit)? (FAM 1301.24)	—	—	—	—
7. Were review responsibilities communicated to all individuals on the assignment? (FAM 1301.19)	—	—	—	—
8. Were workpapers prepared by an information systems auditor reviewed by an information systems auditor for technical content and by a member of the audit team to determine that related audit objectives were achieved? (FAM 1301.20)	—	—	—	—

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Section VI: GAO's Quality Control	N/A	Yes	No	W/P
9. For areas that are both material and have high combined risk, did the audit director or assistant director perform secondary reviews of the workpapers? (FAM 1301.12)	—	—	—	—
10. Were all workpapers prepared by the audit director or assistant directors read by audit managers or auditors in charge to determine their consistency with any related workpapers? (FAM 1301.15)	—	—	—	—
11. If the workpapers indicated a difference of opinion between engagement personnel or between engagement personnel and a specialist or other person consulted, was the difference resolved appropriately and was the basis of the resolution documented? (FAM 1302)	—	—	—	—

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Section VII: Explanation of "NO" Answers and Other Comments

The following pages are provided for comments on all "no" answers or to expand upon any of the "yes" answers.

<u>Page</u> <u>no.</u>	<u>Question</u> <u>no.</u>	<u>Explanatory comments</u>	<u>Disposition</u> <u>of comments</u>
-----------------------------------------	---------------------------------------------	------------------------------------	--------------------------------------------------------

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Section VIII: Conclusions: Based on your review and knowledge, do you believe the following?	Yes	No*
1. The audit team performed the engagement, in all material respects, in accordance with generally accepted government auditing standards (which include generally accepted auditing standards) and applicable OMB guidance or the auditor's report was appropriately modified	___	___
2. The financial statements conformed, in all material respects, with generally accepted accounting principles or the auditor's report was appropriately modified	___	___
3. The auditor's report was appropriate in the circumstances	___	___
4. The documentation on this engagement supports: The auditor's opinion on the financial statements The auditor's conclusions on internal control The auditor's conclusions on whether the entity's financial management systems substantially comply with the requirements of FFMIA The auditor's conclusions on compliance with laws and regulations	___ ___ ___ ___	___ ___ ___ ___
5. The audit team complied, in all material respects, with the audit organization's policies and procedures	___	___

* If any of the above 5 statements have "no" responses, please describe the response in a memorandum to the Reviewer.

Date of completion of fieldwork _____

Audit Manager _____ Date _____

Assistant Director _____ Date _____

Audit Director _____ Date _____

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Section IX: Second Partner's Concurrence

Objective of second partner review: To objectively review significant auditing, accounting, and reporting matters and to conclude, based on all facts the second partner has knowledge of, that, except as discussed in the report, no matters were found that caused the second partner to believe that (1) the audit was not performed in accordance with GAGAS and OMB audit guidance (if applicable), (2) the financial statements are not, in all material respects, in accordance with generally accepted accounting principles, and (3) the report does not meet professional standards and GAO's policies and core values.

Procedures: Before the report was issued, I performed the following procedures.

- Discussed significant auditing, accounting, and reporting issues with the Audit Director,
- Discussed the audit team's identification of high-risk balances and transactions and the audit of those balances and transactions,
- Reviewed documentation on the resolution of significant auditing, accounting, and reporting issues, including documentation of consultation with specialists such as the Chief Accountant, Statistician and IS professionals,
- Reviewed the summary of unadjusted misstatements,
- Read the financial statements and audit report,
- Confirmed with the Audit Director that there are no unresolved issues.

Conclusion:

Based on all the relevant facts of which I have knowledge, I found no matters, except as discussed in the report, that cause me to believe that (1) the audit was not performed in accordance with GAGAS and OMB audit guidance (if applicable), (2) the financial statements are not, in all material respects, in accordance with generally accepted accounting principles, and (3) the report is not in accordance with professional standards and GAO's policies and core values.

Second Partner Name and Title

Signature

Date

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Section X: Chief Accountant's Concurrence

When the Chief Accountant is not the second partner, the Chief Accountant should read the report. The Chief Accountant should then sign the conclusion below.

Conclusion:

Based on my reading of the report, I found no matters, except as discussed in the report, that cause me to believe that (1) the audit was not performed in accordance with GAGAS and OMB audit guidance (if applicable), (2) the financial statements are not, in all material respects, in accordance with generally accepted accounting principles, and (3) the report is not in accordance with professional standards and GAO policies and core values.

Chief Accountant's Signature

Date

Reporting

1004 - Financial Reporting: Checklist for Reports Prepared Under the CFO Act

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Abbreviations

AcSEC	Accounting Standards Executive Committee
AICPA	American Institute of Certified Public Accountants
CFO Act	Chief Financial Officers Act of 1990
COTS	commercial-off-the-shelf software
CSRS	Civil Service Retirement System
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FERS	Federal Employees Retirement System
FFMIA	Federal Financial Management Act
FIFO	first-in, first-out
FY	fiscal year
GAAP	generally accepted accounting principles
GDP	gross domestic product
GPRA	Government Performance and Results Act of 1993
HI	Hospital Insurance (Medicare Part A)
IMF	International Monetary Fund
Imple. Guide	Implementation Guide
IRS	Internal Revenue Service
LIFO	last-in, first-out
MD&A	Management Discussion and Analysis
MRS	Military Retirement System
NRV	net realizable value
OASDI	Old Age, Survivors, and Disability Insurance (Social Security)
OMB	Office of Management and Budget
OMB Bull.	OMB Bulletin
OPEB	Other Postemployment Benefits
ORB	Other Retirement Benefits
PP&E	property, plant, and equipment
RRB	Railroad Retirement Benefits
RSSI	Required Supplementary Stewardship Information
SFAS	Statement of Financial Accounting Standards
SFFAC	Statements of Federal Financial Accounting Concepts
SFFAS	Statements of Federal Financial Accounting Standards
SGL	U.S. Government Standard General Ledger
SMI	Supplementary Hospital Insurance (Medicare Part B)
SOP	Statement of Position
UI	unemployment insurance
UTF	Unemployment Trust Fund

Section I Overview

Introduction

The Chief Financial Officers Act of 1990 and the Government Management and Reform Act of 1994 require, among other mandates, that agencies' chief financial officers submit annual reports to their agency heads and to the Office of Management and Budget (OMB). These annual reports should contain audited financial statements of their agencies. The financial statements are to be presented in accordance with the Federal Accounting Standards Advisory Board's (FASAB) approved statements and OMB Bulletin 97-01, *Form and Content of Financial Statements*, as revised.

The checklist has been issued to assist agencies in preparing these statements and auditors in auditing them. Use of this checklist is not a requirement. Rather, it is intended to help provide for a systematic, organized, and structured approach to preparing or reviewing agency financial statements. Furthermore, it must be noted that, while the questions contained in the checklist are taken from authoritative sources, the checklist itself is not authoritative, nor is it a comprehensive guide. Preparers and auditors should also consult financial management regulations for the individual agencies, as the regulations may have specific guidance when the standards allow alternatives or management flexibility.

Checklist Organization

The checklist has 10 sections: an overview section; a section related to general items in the financial statements; a section for each of the six financial statements; and two additional sections. The six sections reflecting the financial statements are organized by the line items in financial statements to allow the user to proceed through each statement from the beginning to the end. The final two sections cover disclosures in the footnotes related to significant accounting policies and required supplementary information.

Since the financial statements are interrelated, some questions concerning line items in one financial statement may also pertain to line items in another statement. For example, the questions covering loans receivable in the balance sheet section may also include questions on the related interest income and subsidy expense appearing in the statements of financing and net cost. The questions on related line items appearing in more than one statement are covered only in the first statement in which the line item appears. In the preceding example, questions concerning interest income and subsidy expense would appear only in the balance sheet. Further, questions related to footnote disclosure would also appear only under the line item of the initial financial statement and would not be duplicated in the related financial statement except for the section on notes to the financial statements about significant accounting policies.

Except for sections I, II, VI, and IX, the first page of each section contains a list showing the number of questions in the section. This checklist has 715 questions as follows.

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Authoritative Guidance

Each question in this guide is referenced to a source. The sources cited are (1) the *Statements of Federal Financial Accounting Standards* (SFFAS) and (2) OMB Bulletin 97-01, *Form and Content of Financial Statements* (including the 1998 and 2000 revisions).

FASAB-recommended statements approved by the principals include Statements of Federal Financial Accounting Concepts (SFFAC) and Statements of Federal Financial Accounting Standards (SFFAS). The three approved accounting concept statements are #1 *Objectives of Federal Financial Reporting*, 1993, #2 *Entity and Display*, 1995, and #3 *Management's Discussion and Analysis – Concepts*, 1999. The nineteen SFFAS standards are:

1. *Accounting for Selected Assets and Liabilities*, 1993.
2. *Accounting for Direct Loans and Loan Guarantees*, 1993.
3. *Accounting for Inventory and Related Property*, 1994.
4. *Managerial Cost Accounting Concepts and Standards*, 1995.
5. *Accounting for Liabilities of the Federal Government*, 1997.
6. *Accounting for Property, Plant, and Equipment*, 1995.
7. *Accounting for Revenue and Other Financing Sources*, 1996.
8. *Supplementary Stewardship Reporting*, 1996.
9. *Deferral of the Effective Date of Managerial Cost Accounting Standards for the Federal Government in SFFAS No. 4*, 1998.
10. *Accounting for Internal Use Software*, 1998.
11. *Amendments to Accounting for Property, Plant, and Equipment - Definitional Changes*, 1998 - Amending SFFAS No. 6 and SFFAS No 8: *Accounting for Property Plant and Equipment and Supplementary Stewardship Reporting*.
12. *Recognition of Contingent Liabilities Arising from Litigation: An Amendment of SFFAS No. 5*, 1998 – *Accounting for Liabilities of the Federal Government*.
13. *Deferral of Paragraph 65.2 – Material Revenue-Related Transactions Disclosures*, 1998 – Amending SFFAS No. 7, *Accounting for Revenue and Other Financing Sources*.

14. *Amendments to Deferred Maintenance Reporting, 1999 – Amending SFFAS No. 6, Accounting for Property, Plant, and Equipment and SFFAS No. 8, Supplementary Stewardship Reporting.*
15. *Management's Discussion and Analysis, 1999.*
16. *Amendments to Accounting for Property, Plant, and Equipment – Measurement and Reporting for Multi-Use Heritage Assets, 1999 – Amending SFFAS No. 6 and SFFAS No. 8, Accounting for Property, Plant, and Equipment and Supplementary Stewardship Reporting.*
17. *Accounting for Social Insurance, 1999.*
18. *Amendments to Accounting Standards For Direct Loans and Loans Guarantees, 2000.*
19. *Technical Amendments to Accounting Standards for Direct Loans and Loan Guarantees In Statement of Federal Financial Accounting Standards No.2, 2001.*

OMB Bulletin 97-01 as amended (Jan. 7, 2000) as well as the attachment to OMB Memo M-00-05, OMB Bulletin 97-01 *Technical Amendments* as amended January 7, 2000, provide the detailed requirements for the form and content of financial statements.

How to Use This Guide

To the right of each question are two columns. The first column provides for a "yes," "no," or "NA" answer to each question. The third column provides for an explanation for the answer checked in one of the first three columns. A "yes" answer should indicate that the financial statements contain the information asked by the question. For each "yes" answer, the explanation column should include the page number or location in the financial statements where the information can be found. Also, other materials, such as accounting records, studies or working papers, or other documents, should be referenced or listed in the column where appropriate.

A "no" answer indicates that the information asked in the question is not included in the financial statements. The fourth column should provide an explanation. Examples of explanations for a "no" answer might include: (1) the federal entity is working to have the information available for the statements in subsequent years, (2) management believes that the information does not enhance the usefulness of the statements, (3) the cost of compiling the information exceeds the benefit of providing it, and (4) the items are not material. However, it must be noted that explanations 1 - 3 do not necessarily imply that the information is not needed for fair presentation and compliance with the Federal Financial Management Improvement Act (FFMIA) of 1996; only explanation 4 implies this. Also, support, such as a cost-benefit analysis, should be referenced or listed in the column, where appropriate.

An "N/A" answer might indicate that the question does not apply to the federal entity. For example, most federal agencies do not administer loan, loan guarantee, or loan insurance programs and, therefore, do not have credit program receivables and related property.

Consequently, the questions on these receivables, property, and subsidies would not apply. A simple explanation indicating that the reporting entity does not administer loan programs would appear in the explanation column of the first question in the series.

Section II General Items Related to the Financial Statements

There are 28 questions in this section. All the questions relate to the overall financial statements and are not further divided into categories.

General Items (1 – 28)	Yes, No, or N/A	Explanation
<p>1. Does the entity's annual financial statement consist of the following items?</p> <ul style="list-style-type: none"> a. management's discussion and analysis (MD&A) of the reporting entity b. financial statements and related notes c. required supplementary stewardship information d. required supplementary information e. other accompanying information that in management's judgment provides users with relevant information (OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 4 & 5) 		
<p>2. Do the principal statements and notes include the following six statements?</p> <ul style="list-style-type: none"> a. Balance Sheet b. Statement of Net Cost c. Statement of Changes in Net Position d. Statement of Budgetary Resources e. Statement of Financing f. Statement of Custodial Activity (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 5) 		

Section II General Items Related to the Financial Statements

General Items (1 – 28)	Yes, No, or N/A	Explanation
<p>3. Does the entity use the following hierarchy as its sources of guidance in preparing its financial statements?</p> <ul style="list-style-type: none"> a. Statements and interpretations of the Federal Financial Accounting Standards Advisory Board (FASAB) as well as applicable AICPA and FASB pronouncements b. FASAB technical bulletins and, if specifically made applicable to federal government entities by FASAB, AICPA Industry Audit and Accounting Guides and AICPA Statements of Position c. AICPA AcSEC Practice Bulletins if specifically made applicable to federal government entities and cleared by FASAB, as well as Technical Releases of the Accounting and Auditing Policy Committee of FASAB d. accounting principles published by other authoritative standard-setting bodies <ul style="list-style-type: none"> i. in the absence of other guidance in the first three parts of this hierarchy, and ii. if the use of such accounting principles improves the meaningfulness of the financial statements <p>(OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 7; Statement on Auditing Standards (SAS) No. 91 – <i>Federal Generally Accepted Accounting Principles (GAAP) Hierarchy</i>)</p>		

Section II General Items Related to the Financial Statements

General Items (1 – 28)	Yes, No, or N/A	Explanation
<p>4. Do the descriptions and displays meet the authoritative standard that governs the nature and purpose of the statements, the recognition and measurement of items in the statements, and the required disclosures? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p.10, item 2)</p>		
<p>5. When presenting dollar amounts in the statements and the notes, does the entity do the following?</p> <ul style="list-style-type: none"> a. round dollar amounts to the nearest whole dollar, thousand, or million based on informative value to the reporting entity b. maintain the chosen rounding level throughout the financial statements and footnotes c. adjust the individual line items for differences created by rounding so that totals equal the sum of the addends in a column (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 10, item 5) 		
<p>6. Does the entity present comparative financial statements with full footnote disclosure? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 10, item 3)</p>		
<p>7. Are immaterial but related line items combined? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 10, item 6)</p>		
<p>8. Are the statement line items, footnotes, and lines or columns that are not informative for the reporting entity excluded? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 10, item 7)</p>		

Section II General Items Related to the Financial Statements

General Items (1 – 28)	Yes, No, or N/A	Explanation
9. Are material balances excluded from the “other” category and separately reported and designated by name? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 10, item 8)		
10. Are footnotes sequentially numbered? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 10, item 10)		
11. Do total amounts presented in the footnotes tie to the amounts presented in the body of the financial statements? (OMB Bull. 97-01, p. 10, item 10)		
<p><i>Financial statements may be aggregated or disaggregated in different ways depending upon the nature of the statements. (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 11, item 11)</i></p>		
12. When agencies present disaggregated information for component organizations, does the total column for the entity as a whole reflect consolidated totals net of intra-entity transactions? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 11, item 11)		
<p><i>When a reporting entity presents its financial statements in a single column format, the statements are referred to as consolidating statements. Financial statements that use a multicolumn format to present information on an entity’s major components or lines of business as well as the consolidated amounts are referred to as consolidating statements. (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 11, item 11)</i></p>		

Section II General Items Related to the Financial Statements

General Items (1 – 28)	Yes, No, or N/A	Explanation
13. Are intra-entity transactions needed to arrive at the consolidated amounts presented in a column on the face of the consolidating statements? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 11, item 11)		
14. Does the reporting entity include franchise funds and other intragovernmental support revolving funds among the activities covered by its financial statements? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 11, item 11)		
15. If information about the assets, liabilities, costs, and revenues of these franchise funds and intragovernmental support revolving funds is not separately disclosed in the entity's financial statements, is this information reported as required supplementary information? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 11, item 11)		
<p><i>The Department of the Treasury will issue separate guidance providing a crosswalk from the accounts or the Standard General Ledger (SGL) to required financial statements (OMB Bulletin 97-01 as amended (Jan. 7, 2000), p. 11, item 13)</i></p>		
16. If the entity it not yet using the accounts and data elements of the SGL, are the ledger accounts and data elements used crosswalked to those of the SGL? (OMB Bulletin 97-01 as amended (Jan. 7, 2000), p. 11, item 13)		

Section II General Items Related to the Financial Statements

General Items (1 - 28)	Yes, No, or N/A	Explanation
<p>17. Does the MD&A provide a clear and concise description of the reporting entity and its mission, activities, program and financial results, and financial condition? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 12)</p>		
<p>18. Does the MD&A, at a minimum, contain sections that address the following items concerning the entity?</p> <ul style="list-style-type: none"> a. mission and organizational structure b. performance goals, objectives, and results c. financial statements d. systems controls and legal compliance e. forward-looking information, either as a separate section of MD&A or incorporated with the sections listed above f. important problems that need to be addressed and action taken or planned, either as a separate section of the MD&A or incorporated with the sections listed above (SFFAS 15, par. 2 - 4; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 12) 		

Section II General Items Related to the Financial Statements

General Items (1 – 28)	Yes, No, or N/A	Explanation
<p>19. Does the entity's mission statement have the following attributes?</p> <p>a. a clear articulation of what the entity's major programs and activities are intended to accomplish</p> <p>b. consistency with the entity's strategic plan? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 12)</p>		
<p>20. Are the entity's programs and financial results expressed in terms of objective and relevant measures that disclose the extent to which its programs are achieving their intended objectives? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 12)</p>		
<p>21. Has the entity attempted to develop and report objective measures that provide information about the cost effectiveness of programs? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 13)</p>		
<p>22. Are the reported measures of program and financial performance consistent with the agency's strategic plan? (OMB Bull. 97-01, p. 12)</p>		

Section II General Items Related to the Financial Statements

General Items (1 – 28)	Yes, No, or N/A	Explanation
<p>23. Do the entity's performance measures meet the following criteria?</p> <ul style="list-style-type: none"> a. clearly set forth b. objective and quantifiable c. meaningful and relevant d. related to measures developed in the entity's strategic planning processes e. capable of presenting the outputs and outcomes of the programs, not just inputs or processes (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 13) 		
<p>24. Does the entity's presentation of its performance measures include the following?</p> <ul style="list-style-type: none"> a. both positive and negative results b. presentation of future and historical trends, if possible c. use of charts and graphs, whenever possible, for easy identification of trends d. explanation of the significance of trends e. comparisons of actual results to goals or benchmarks f. variations from goals and trends g. other explanatory information that helps readers understand the significance of the measures, results, and any variations from goals or plans (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 13) 		

Section II General Items Related to the Financial Statements

General Items (1 – 28)	Yes, No, or N/A	Explanation
<p>25. Does the entity explain what needs to be done and what is planned to improve financial or program performance? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 14)</p>		
<p>26. Do the performance measures presented in the MD&A include the following criteria?</p> <ul style="list-style-type: none"> a. related to program purposes and goals b. consistent with measures previously included in budget documents and other materials related to implementation of the Government Performance and Results Act (GPRA) c. linked to the programs presented in the Statement of Net Cost d. limited to the entity's most significant program and financial measures (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 14) 		

Section II General Items Related to the Financial Statements

General Items (1 - 28)	Yes, No, or N/A	Explanation
<p>27. Are the less significant program and financial measures presented as "other accompanying information?" (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 14)</p>		
<p>28. Does the entity note the following in the section on limitations of the "Financial Statements?"</p> <ul style="list-style-type: none"> a. the financial statements have been prepared to report the financial position and results of operations of the entity, pursuant to the requirements of 31 U.S.C. 3515(b) b. while the statements have been prepared from the books and records of the entity in accordance with the formats prescribed by OMB, the statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records c. the statements should be read with the realization that they are for a component of the U.S. government¹ (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 14) 		

¹ One implication of this is that liabilities cannot be liquidated without enabling legislation.

Section III Balance Sheet

The questions related to the balance sheet are contained under 23 line items. The question numbers related to each line item follow.

	<u>Question numbers</u>
General items	1 - 4
Assets	
1. Fund Balance with Treasury	5 - 17
2. Investments	18 - 26
3. Accounts Receivable (Net)	27 - 47
4. Interest Receivable (Net)	48 - 51
5. Credit Program Receivables	52 - 92
6. Cash and Other Monetary Assets	93 - 95
7. Inventory and Related Property	96 - 112
8. Operating Materials and Supplies	113 - 120
9. Stockpile Materials	121 - 131
10. Seized Property	132 - 141
11. Forfeited Property	142 - 149
12. Goods Held Under Price Support and Stabilization Programs	150 - 163
13. General Property, Plant, and Equipment (Net)	164 - 195
14. Software	196 - 226
15. Other Assets	227 - 238
Liabilities	
16. Liabilities in General	239 - 240
17. Interest Payable	241 - 248
18. Liabilities for Loan Guarantees	249 - 262
19. Lease Liabilities	263 - 266
20. Federal Debt and Related Interest	267 - 278
21. Pensions, Other Retirement Benefits, and Postemployment Benefits	279 - 287
22. Other Liabilities	288 - 318
Net Position	
23. Unexpended Appropriations and Cumulative Results of Operations	319 - 322

Section III Balance Sheet

General Items (1 - 4)	Yes, No, or N/A	Explanation
<p><i>The Balance Sheet presents, as of a specific time, amounts of future economic benefits (assets) owned or managed by the reporting entity exclusive of items subject to stewardship reporting, amounts owed by the entity (liabilities), and amounts that comprise the difference (net position). (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 17)</i></p>		
<p>1. Does the Balance Sheet display assets, liabilities, and net position? (OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 15 & 16)</p>		
<p><i>Entity assets are assets that the reporting entity has authority to use in its operations. Nonentity assets are assets that are held by an entity but are not available to the entity as, for example, income tax receivables. (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 17)</i></p>		
<p>2. Are entity assets separately reported from nonentity assets? (OMB Bull. 97-10 as amended (Jan. 7, 2000), pp. 15 & 17)</p>		
<p><i>Intragovernmental assets are claims of a federal entity against other federal entities; conversely, intragovernmental liabilities are claims against the entity by other federal entities. (OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 17 & 22)</i></p>		
<p>3. Are intragovernmental assets and liabilities reported separately from governmental assets and liabilities that arise from transactions of the federal government or a federal government entity with nonfederal entities, the federal reserve, and government-sponsored enterprises? (OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 15, 17, & 22)</p>		

Section III Balance Sheet

General Items (1 - 4)	Yes, No, or N/A	Explanation
		<p><i>Liabilities covered by budgetary resources are liabilities covered by realized budgetary resources as of the balance sheet date. Budgetary resources include: (1) new budget authority, (2) spending authority from offsetting collections credited to an appropriation or fund account, (3) recoveries of unexpired budget authority through downward adjustment or prior year obligations (4) unobligated balances of budgetary resources of the beginning of the year or net transfers or prior-year balances during the year, and (5) permanent indefinite appropriations or borrowing authority, which have been enacted and signed into law as of the balance sheet date and may be apportioned by OMB without further congressional action or a contingency having to be met. (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 22)</i></p>
<p>4. Are liabilities covered by budgetary resources separately reported from liabilities not covered by budgetary resources? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 22)</p>		

Section III Balance Sheet

Assets Fund Balance with Treasury (5 - 17)	Yes, No, or N/A	Explanation
<p><i>A federal entity's fund balance with the Treasury is the aggregate amount of funds in the entity's accounts with Treasury for which the entity is authorized to make expenditures and pay liabilities. From the reporting entity's perspective, a fund balance with Treasury is an asset. From the perspective of the federal government as a whole, the fund balance is neither an asset nor a liability. It instead represents a commitment to make resources available to federal or other entities. (SFFAS 1, par. 31)</i></p>		
<p>5. Is the fund balance with Treasury reported as an intragovernmental asset? (SFFAS 1, par. 31; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 15)</p>		
<p>6. Are amounts disclosed as fund balances in deposit, suspense, and clearing accounts that are not available to finance entity activities reported as nonentity assets? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 18)</p>		
<p>7. Is foreign currency translated into U.S. dollars at exchange rates determined by the Treasury at the financial reporting date? (SFFAS 1, par. 32; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 18)</p>		

Section III Balance Sheet

Assets Fund Balance with Treasury (5 - 17)	Yes, No, or N/A	Explanation
<p>8. Does the entity's fund balance with Treasury also include the following?</p> <ul style="list-style-type: none"> a. clearing account balances b. balances for direct loan and loan guarantee activities c. funds actually borrowed from Treasury under statutory authority d. the dollar equivalent of foreign currency account balances (SFFAS 1, par. 32 & 35) 		
<p>9. Does the entity's fund balance with Treasury exclude contract authority¹ or unused authority to borrow? (SFFAS 1, par. 34)</p>		
<p>10. Does the entity record an increase in its fund balance with Treasury when it does at least one of the following?</p> <ul style="list-style-type: none"> a. receives appropriations, reappropriations, continuing resolutions, appropriation restorations, and allocations b. receives transfers and reimbursements from other agencies c. borrows from the Treasury, Treasury, Federal Financing Bank, or other entity d. collects and credits amounts to its appropriations or fund accounts that the entity is authorized to spend or use to offset its expenditures (SFFAS 1, par. 33) 		

¹ Contract authority is a statutory authority under which contracts or other obligations may be entered into prior to receiving an appropriation for the payment of obligations.

Section III Balance Sheet

Assets Fund Balance with Treasury (5 - 17)	Yes, No, or N/A	Explanation
<p>11. Does the entity record a decrease in its fund balance with Treasury when at least one of the following occurs?</p> <ul style="list-style-type: none"> a. Treasury makes disbursements to pay liabilities or to purchase assets, goods, and services b. Treasury makes investments in U.S. securities. c. Treasury's expired appropriations are cancelled. d. Treasury makes transfers and reimbursements to other entities or the Treasury. e. Treasury's appropriations are rescinded or sequestered. (SFFAS 1, par. 36) 		
<p>12. Are any restrictions related to future uses of fund balances disclosed? (SFFAS 1, par. 38; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 44, item B)</p>		
<p>13. Are discrepancies between fund balances in Treasury's records and general ledger accounts explained and corrected, if necessary? (SFFAS 1, par. 39; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 44, item B)</p>		
<p>14. Are amounts held for special purposes (such as collections pending litigation outcome or held as an agent for others) disclosed as "other fund types?" (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 44, item A)</p>		

Section III Balance Sheet

Assets Fund Balance with Treasury (5 - 17)	Yes, No, or N/A	Explanation
15. Are fund balances representing amounts (1) obligated but not yet disbursed and (2) unobligated: disclosed separately? (SFFAS 1, par. 37 & 38)		
16. Are fund balances disclosed by fund type? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 43 & 44, item A)		
17. Are unexpended appropriations recognized as capital and included under funds with Treasury when they are made available for apportionment? (SFFAS 7, par. 71)		

Section III Balance Sheet

Assets Investments (18 - 26)	Yes, No, or N/A	Explanation
<p><i>Investments in federal securities include (a) nonmarketable par value Treasury securities, (b) market-based Treasury securities, (c) marketable Treasury securities, and (d) securities issued by other federal entities. Nonfederal securities include those issued by state and local governments, private corporations, and government-sponsored enterprises. (SFFAS 1, par. 62; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 18)</i></p>		
<p>18. Are investments in federal securities reported separately from investments in nonfederal securities? (SFFAS 1, par. 67; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 18)</p>		
<p>19. Are investments initially recorded and reported at their acquisition or amortized costs? (SFFAS 1, par. 68 & 69; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 18 & pp. 46 & 47, note 4)</p>		
<p>20. Are investments acquired in exchange for nonmonetary assets recognized at the fair value of either (whichever is more determinable) the securities acquired or the assets given up? (SFFAS 1, par. 68)</p>		
<p>21. Subsequent to acquisition, are investments reported at their carrying amount adjusted for amortized premium or discount? (SFFAS 1, par. 70 - 71; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 18 & pp. 46 & 47, note 4)</p>		
<p>22. Is the interest method (i.e., effective interest rate multiplied by the carrying amount) used in amortizing the premium or discount over the life of the security? (SFFAS 1, par. 71)</p>		

Section III Balance Sheet

Assets Investments (18 - 26)	Yes, No, or N/A	Explanation
23. Is the market value of market-based and marketable securities disclosed? (SFFAS 1, par. 72; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 46 & 47, note 4)		
24. Are investments grouped by type of security, such as marketable or market-based Treasury securities? (SFFAS 1, par. 72)		
25. Are investment securities, which initially were expected to be held to maturity, reported at market value in the balance sheet if they are for sale and have experienced more than a temporary reduction in value? (SFFAS 1, par. 72 & 73; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 46 & 47, note 4)		
26. Does the entity disclose any other information relative to understanding the nature of reported investments, such as permanent impairments? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 47)		

Section III Balance Sheet

Assets Accounts Receivable (Net) (27 - 47)	Yes, No, or N/A	Explanation
<p><i>Entity receivables are amounts due from other federal or nonfederal entities. Nonentity receivables are amounts that the entity is to collect on behalf of the federal government or other entities. Not included in this category are receivables related to direct or guaranteed loans, which are reported separately. (SFFAS 1, par. 43; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 47, note 5)</i></p>		
<p>27. Is a receivable recognized when a federal entity establishes a claim based on legal provisions or when goods or services are provided? (SFFAS 1, par. 41)</p>		
<p>28. If the exact amount of a receivable is unknown, is a reasonable estimate made? (SFFAS 1, par. 41)</p>		
<p>29. Are entity and nonentity accounts receivable reported separately? (SFFAS 1, par. 43; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 15 & p. 47, note 5)</p>		
<p>30. If cash has not been received at the time revenue is recognized, is a receivable recorded and allowance for bad debts, if needed, established? (SFFAS 7, par. 39 & 129 – 131)</p>		
<p>31. Is an account receivable arising from a nonexchange transaction recognized when a collecting entity establishes a specifically identifiable, measurable, and legally enforceable claim to cash or other assets? (SFFAS 7, par. 53, 61 & 62 & footnote 9; SFFAS 1, par. 41)</p>		

Section III Balance Sheet

Assets Accounts Receivable (Net) (27 - 47)	Yes, No, or N/A	Explanation
<p>32. Is a receivable associated with nonexchange revenue for taxes and duties recognized upon completion of the entity's established assessment process? (SFFAS 7, par. 53)</p>		
<p>33. Is an interentity receivable recognized when (1) a legally enforceable claim exists between a collecting entity and a recipient entity for the transfer or repayment of taxes or duties and (2) payment of such a claim is probable and measurable (SFFAS 7, par. 60)</p>		
<p>34. Are assessments recognized as accounts receivable if an enforceable claim for taxes and duties exists in the following instances?</p> <ul style="list-style-type: none"> a. tax returns filed by the taxpayer b. customs documents filed by the importer c. taxpayer agreements to assessments at the conclusion of an audit or as a substitute for a tax return (or importer agreements to supplemental assessments) d. court actions determining an assessment e. taxpayer (or importer) agreements to pay an assessment on an installment plan f. receivables determined to be currently not collectable but with future collection potential (SFFAS 7, par. 53, 54, 170, & 171) 		

Section III Balance Sheet

Assets Accounts Receivable (Net) (27 - 47)	Yes, No, or N/A	Explanation
		<p><i>Compliance assessments are proposed assessments by the collecting entity in definitive amounts, but with which the taxpayer (or importer) still has the right to disagree or object. (SFFAS 7, par. 55.1)</i></p> <p><i>Preassessment works-in-process are assessments not yet officially asserted by the collecting entity that are subject to a taxpayer's right to conference in response to initial information notices. (SFFAS 7, par. 55.2)</i></p>
<p>35. Do nonexchange-related accounts receivable for taxes and duties exclude the following?</p> <ul style="list-style-type: none"> a. amounts received or due with tax returns received after the close of the reporting period b. compliance assessments c. preassessment work-in-process amounts (SFFAS 7, par. 54) 		
<p>36. Are compliance assessments reclassified and recognized as an account receivable in the following instances?</p> <ul style="list-style-type: none"> a. the taxpayer files an amended tax return b. a protest or retention period lapses c. a court action settles the matter in the government's favor d. the taxpayer (or importer) agrees to pay or e. a compromise payment plan is accepted (SFFAS 7, par. 55.1 & 178 – 180) 		
<p>37. Is an allowance for uncollectible amounts based on an analysis of both individual accounts receivable and groups of accounts receivable as prescribed by SFFAS No. 1? (SFFAS 1, par. 44 – 51; SFFAS 7, par. 56)</p>		

Section III Balance Sheet

Assets Accounts Receivable (Net) (27 - 47)	Yes, No, or N/A	Explanation
38. Is this allowance for estimated uncollectable accounts receivables periodically adjusted to reflect the latest information? (SFFAS 1, par. 45)		
39. Are amounts for preassessment work in progress excluded from accounts receivable? (SFFAS 7, par. 55.B)		
40. Are intragovernmental ² accounts receivable reported separately from receivables from nonfederal entities? (SFFAS 1, par. 42; OMB Bull. 97-01as amended (Jan. 7, 2000), p. 15)		
41. Are losses due to uncollectable amounts measured through a systematic methodology, which is based on an analysis of both individual accounts and a group of accounts as a whole? (SFFAS 7, par. 46)		
42. Are accounts that represent significant amounts individually analyzed to determine the loss allowance? (SFFAS 1, par. 47)		
43. Is the loss estimation for individual accounts based on the following? a. the debtor's ability to pay b. the debtor's payment record and willingness to pay c. the probable recovery of amounts from secondary sources including liens, garnishments, cross collections, and other applicable collection tools (SFFAS 1, par. 47)		

² Intragovernmental receivables are amounts due from other federal entities. (SFFAS 1, par. 42)

Section III Balance Sheet

Assets Accounts Receivable (Net) (27 - 47)	Yes, No, or N/A	Explanation
44. If information is not available or if the nature of the receivables does not lend itself to individual account analysis, are the potential losses assessed on a group basis? (SFFAS 1, par. 48)		
45. If potential losses are assessed on a group basis, are the receivables separated into groups of homogeneous accounts with similar risk characteristics? (SFFAS 1, par. 49 - 51)		
46. Does the reporting entity disclose the following? <ul style="list-style-type: none"> a. the major categories of account receivables by amount and type b. the methodology used to estimate the allowance for uncollectible amounts c. the dollar amount of the allowance for uncollectible accounts (SFFAS 1, par. 52; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 18 & p. 47, note 5) 		
47. Are losses on receivables recognized when it is more likely than not that the receivables will not be totally collected (i.e., there is a greater than 50 percent chance of loss)? (SFFAS 1, par. 44)		

Section III Balance Sheet

Assets Interest Receivable (Net) (48 - 51)	Yes, No, or N/A	Explanation
48. Is interest earned but not received recognized as interest receivable and reported as interest receivable? (SFFAS 1, par. 53; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 18)		
49. Does interest receivable exclude interest on accounts receivable and investments determined to be uncollectible? (SFFAS 1, par. 54; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 18)		
50. Is interest accrued on uncollectible amounts receivable disclosed until: (1) the interest payment requirement has been officially waived or (2) the related debt has been written off? (SFFAS 1, par. 55)		
51. Is interest receivable from federal entities reported separately from interest receivable from nonfederal entities? (SFFAS 1, par. 56)		

Section III Balance Sheet

Assets Credit Program Receivables (52 - 92)	Yes, No, or N/A	Explanation
<p><i>The Federal Credit Reform Act of 1990 divides loans and loan guarantees into two groups: pre-1992 and post-1991. Pre-1992 refers to direct loan obligations or loan guarantee commitments made prior to fiscal year 1992; post-1991 refers to direct loan obligations or loan guarantee commitments made after fiscal year 1991. (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 55)</i></p>		
<p>52. Is interest receivable related to pre-1992 and post-1991 direct loans and are acquired defaulted guaranteed loans reported as a component of credit program receivables and related foreclosed property? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p 18)</p>		
<p>53. Are loan amounts broken out by group (pre-1992 and post-1991) and loan program and disclosed in a note to the financial statements? (OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 49 & 50)</p>		
<p>54. Are credit program receivables considered an entity asset if at least one of the following criteria is met?</p> <ul style="list-style-type: none"> a. The entity has the authority to either determine the use of the funds collected. b. The entity is legally obligated to use the funds to meet entity obligations (e.g., loans to Treasury). (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 19) 		

Section III Balance Sheet

Assets Credit Program Receivables (52 - 92)	Yes, No, or N/A	Explanation
55. If a loan guarantee program is generating a negative subsidy and the lender had not disbursed the loan as of the balance sheet date, does the entity record and include this amount as part of the total undelivered orders? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 19 & p. 71, note 15)		
56. Are special receipt accounts for negative subsidies and downward subsidy reestimates included in the credit reporting entity's financial statements? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 19)		
57. Are any assets in these special receipt accounts shown as nonentity assets offset by intragovernmental liabilities covered by budgetary resources? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 19)		
58. Do the notes disclose other relevant and appropriate information related to direct loans and loan guarantees including the following? <ul style="list-style-type: none"> a. commitments to guarantee b. management's method for accruing interest revenue and recording interest receivable c. management's policy for accruing interest on nonperforming loans (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 58, item K) 		
<p><i>For post-1991 loans and guarantees, a subsidy expense is recognized in the year it is disbursed. For pre-1992 loans and guarantees, a loss and liability need not be recognized until it is more likely than not that a loan (either direct or guaranteed) will go into default. (SFFAS 2, par. 24 & 39)</i></p>		

Section III Balance Sheet

Assets Credit Program Receivables (52 - 92)	Yes, No, or N/A	Explanation
59. Are post-1991 direct loans recognized as assets at the present value (discounted at a comparable Treasury rate) of their estimated net cash inflows? (SFFAS 2, par. 22 & app. B, part I A)		
60. Is the difference between the outstanding principal of post-1991 direct loans and the present value of their net cash flows recognized as a subsidy cost allowance? (SFFAS 2, par. 22 & app. B, part I A)		
61. Are the components of the present value of post-1991 direct loans receivable (i.e., principal, interest, estimated net value of foreclosed property, and allowance for subsidy costs) disclosed? (OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 50 & 56, item C)		
62. When post-1991 guaranteed loans go into default, is the value of the assets related to defaulted guaranteed loans receivable ³ included in the reported credit program receivables? (OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 51 & 57, item E)		
63. When post-1991 loans are written off, is the unpaid principal removed from unpaid loans receivable and charged against the allowance for subsidy costs? (SFFAS 2, par. 61)		

³ That is, the sum of (1) defaulted guaranteed loans receivable gross, (2) interest receivable, and (3) foreclosed property, less the allowance for subsidy cost at present value.

Section III Balance Sheet

Assets Credit Program Receivables (52 - 92)	Yes, No, or N/A	Explanation
<p>64. Are the following components of the assets that are related to post-1991 direct and defaulted guaranteed loans receivable disclosed by loan program?</p> <ul style="list-style-type: none"> a. loans receivable, gross b. interest receivable c. estimated net realizable value of foreclosed property d. allowance for subsidy costs (present value) e. the total value of related assets (i.e., the sum of a - c less d) (OMB Bull. 97-01 as amended (Jan. 7, 2000), items C & E, pp. 50, 51, 56 item C, & 57 item E) 		

Section III Balance Sheet

Assets Credit Program Receivables (52 - 92)	Yes, No, or N/A	Explanation
65. Are losses of pre-1992 direct loans obligated recognized (and a corresponding allowance amount set up) when it is more likely than not that the direct loans will not be totally collected? (SFFAS 2, par. 39 & app. B, part II A)		
66. Are allowances for uncollectible pre-1992 loans reestimated each year? (SFFAS 2, par. 39)		
67. Are the following components of assets related to pre-1992 direct loans receivable disclosed by loan program? <ul style="list-style-type: none"> a. loans receivable, gross b. interest receivable c. foreclosed property d. present value allowance⁴ (if the present value method is used) e. allowance for loan losses⁵ (if the allowance method is used) (SFFAS 2, par. 39; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 49 & 56 item B) 		

⁴ Under the present value method, the nominal amount of the direct loans is reduced by an allowance equal to the difference between the nominal amount and the present value of the expected net cash flows from the loans (OMB Bull 97-01 as amended (Jan. 7, 2000), p. 55, item A, 4th par.)

⁵ Under the allowance-for-loss method, the nominal amount of the direct loans is reduced by an allowance for uncollectible amounts. (OMB Bull 97-01 as amended (Jan. 7, 2000), p. 55, item A, 4th par.)

Section III Balance Sheet

Assets Credit Program Receivables (52 - 92)	Yes, No, or N/A	Explanation
<p>68. Are the following components of defaulted guaranteed loans from pre-1992 guarantees disclosed by loan program?</p> <ul style="list-style-type: none"> a. defaulted guaranteed loans receivable, gross b. interest receivable c. the estimated net value of related foreclosed property d. the present value allowance (if the present value method is used) e. the allowance for loan losses (if the allowance for loss method is used) f. defaulted guaranteed loans receivable, net (i.e., depending on the method used: the sum of a, b, & c less d or a, b, & c less e) (OMB Bull. 97-01 as amended (Jan. 7, 2000), items D1 & D2, pp. 50, 56, & 57) 		
<p><i>A loan modification is a federal government action that directly or indirectly alters the estimated subsidy cost and the present value of outstanding loans or the liability of loan guarantees. A direct modification changes the subsidy cost by altering the terms of existing contracts or through the sale of direct loans. An indirect modification changes the subsidy costs by altering the way loans and loan guarantees are administered. A modification does not include subsidy cost reestimates, routine administrative workouts of troubled loans, and other actions permitted within existing contract terms. (SFFAS 2, par. 41- 44)</i></p>		

Section III Balance Sheet

Assets Credit Program Receivables (52 - 92)	Yes, No, or N/A	Explanation
<p>69. When post-1991 loans are modified, is their existing book value changed to an amount equal to the present value (discounted at the Treasury rate in effect when the loans were first disbursed after adjusting for the interest rate re-estimate) of the loans' net cash inflows that are projected under the modified terms from the time of the modification to the loans' maturity? (SFFAS 2, par. 46 & app. B, part I D(4))</p>		
<p>70. When pre-1992 loans are directly modified do they meet the following conditions?</p> <ul style="list-style-type: none"> a. They are transferred from the liquidating account to a financing account. b. Their book value is recorded at their post-modification value (i.e., the present value of the net cash flows under post-modification terms discounted at the current Treasury rate). (SFFAS 2, par. 47 & app. B, part II B(4)) 		
<p>71. Are subsequent (direct) modifications of pre-1992 loans treated as a modification of post-1991 loans? (SFFAS 2, par. 47)</p>		
<p>72. When pre-1992 loans are indirectly modified do they meet the following conditions?</p> <ul style="list-style-type: none"> a. they are kept in a liquidating account b. their bad debt allowance is reassessed and adjusted to reflect amounts that would not be collected due to the modification (SFFAS 2, par. 47) 		

Section III Balance Sheet

Assets Credit Program Receivables (52 - 92)	Yes, No, or N/A	Explanation
<p>73. Does the entity disclose the following by program in the notes to the financial statements?</p> <ul style="list-style-type: none"> a. the nature of the modification of direct loans or loan guarantees b. the discount rate used in calculating the modification expense c. the basis for recognizing a gain or loss related to the modification (SFFAS 2, par. 56 & OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 54 & 58 item K) 		
<p>74. When post-1991 and pre-1992 loans are sold is the sale treated as a direct modification? (SFFAS 2, par. 53)</p>		
<p>75. Does the agency disclose the expectation that proceeds from the sale of its loans will differ from the reported face value of the loans or the value of their related assets? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 55, item A, 5th par.)</p>		
<p><i>Foreclosed property is any asset, which is assumed to be held for sale, that is received in satisfaction of a loan receivable or as a result of payment of a claim under a guaranteed or insured loan (excluding commodities acquired under price support programs). Pre-1992 foreclosed property refers to property associated with direct loans obligated or loan guarantees committed before October 1, 1991. Post-1991 foreclosed property refers to property associated with direct loans obligated or loan guarantees committed after September 30, 1991 (SFFAS 3, par. 79 & 80)</i></p>		
<p>76. Is post-1991 foreclosed property valued at the net present value of the projected future cash flows associated with the property? (SFFAS 3, par. 81)</p>		

Section III Balance Sheet

Assets Credit Program Receivables (52 - 92)	Yes, No, or N/A	Explanation
77. Is pre-1992 foreclosed property recorded at cost and adjusted to the lower of cost or net realizable value? (SFFAS 3, par. 81)		
78. Is any difference between cost and net realizable value carried in a valuation allowance? (SFFAS 3, par. 81)		
79. In estimating sales proceeds, has the entity considered its historical experience in selling property as well as the nature of the sale? (SFFAS 3, par. 82)		
80. Were the estimated future cash flows of post-1991 foreclosed property (i.e., sales proceeds, rent, holding and selling expenses) or acquired loans discounted at the original (or Treasury) discount rate in effect at the time the underlying loan or guarantee was granted? (SFFAS 2, par. 57, 59; SFFAS 3, par. 82 – 83; SFFAS 19, par. 7(e))		
81. Is the net present value of post-1991 foreclosed property adjusted periodically to recognize both changes in the expected future cash flows and accrual of interest due to the passage of time? (SFFAS 3, par. 84)		
82. Are any adjustments in the carrying amounts of post-1991 foreclosed property included in the presentation of "interest income" and the reestimate of "subsidy expense?" (SFFAS 3, par. 84)		

Section III Balance Sheet

Assets Credit Program Receivables (52 - 92)	Yes, No, or N/A	Explanation
<p>83. For post-1991 foreclosed property are the following true?</p> <p>a. Third party claims are recorded at their net present value at the time of the foreclosure.</p> <p>b. Any periodic changes in net present value of the claim are reflected in "interest income" and "subsidy expense." (SFFAS 3, par. 87)</p>		
<p>84. Are receipts or disbursements associated with acquiring and holding post-1991 foreclosed property charged or credited to foreclosed property? (SFFAS 3, par. 88)</p>		
<p>85. When the government acquires foreclosed assets in full or partial settlement of post-1991 loans, is the present value of the government's claim against the borrowers reduced by the amount settled as a result of the foreclosure? (SFFAS 2, par. 60)</p>		
<p>86. If a lender, debtor, or other third party has a legitimate claim to a post-1991 foreclosed asset, is the net present value of the estimated claim recognized as a special contra-valuation allowance? (SFFAS 2, par. 58; SFFAS 3, par. 87)</p>		
<p>87. Is pre-1992 foreclosed property recorded at cost and adjusted, if necessary, to the lower of cost or net realizable value? (SFFAS 3, par. 81 & 85)</p>		
<p>88. Is the net realizable value based on an estimate of the market value of the property adjusted for any expected losses consistent with historical experience, abnormal market conditions, and time limitations as well as any other costs of the sale? (SFFAS 3, par. 81 & 86)</p>		

Section III Balance Sheet

Assets Credit Program Receivables (52 - 92)	Yes, No, or N/A	Explanation
<p>89. Is the estimate of market value based on one of the following criteria?</p> <ul style="list-style-type: none"> a. the market value of the property if an active market exists b. the market value of similar properties if no active market exists c. a reasonable forecast of expected cash flows adjusted for estimates of all holding costs, including any cost of capital (SFFAS 3, par. 85) 		
<p>90. For pre-1992 foreclosed property, are third- party claims recorded at the expected amount of cash required to settle the claims? (SFFAS 3, par. 87)</p>		
<p>91. If foreclosed property is not sold but placed into operation, is the asset transfer treated in the same manner as a sale to a third party? (SFFAS 3, par. 90)</p>		

Section III Balance Sheet

Assets Credit Program Receivables (52 - 92)	Yes, No, or N/A	Explanation
<p>92. When the government acquires foreclosed assets in full or partial settlement of a direct or guaranteed loan (pre-1992 and post-1991), is the following information disclosed?</p> <ul style="list-style-type: none"> a. valuation basis for foreclosed property b. changes from prior-year's accounting methods, if any c. restrictions on the use/disposal of property d. balances by categories (i.e., pre-1992 and post-1991 foreclosed property) e. number of properties held and average holding period by type or category and f. number of properties for which foreclosure proceedings are in process at the end of the period (SFFAS 3, par. 91; OMB Bull. 97-01 as amended (Jan. 7, 2000), item K, pp. 58 & 59) 		

Section III Balance Sheet

Assets Cash and Other Monetary Assets (93 - 95)	Yes, No, or N/A	Explanation
		<p><i>Cash (including imprest funds) consists of: coins, paper currency, negotiable instruments (such as checks, money orders, and bank drafts), demand deposits, and foreign currencies stated in U. S. dollars at the financial statement date exchange rate. (SFFAS 1, par. 27; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 19)</i></p> <p><i>Other monetary assets consist of other items such as gold, special drawing rights, and U.S. reserves in the International Monetary Fund (IMF). (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 19 & p. 45, item C)</i></p>
<p>93. Are entity cash (amounts held and authorized to be spent by the entity) and nonentity cash (amounts held on behalf of other entities such as Treasury) separately reported? (SFFAS 1, par. 28 & 29; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 19)</p>		
<p>94. Are the components of cash and other monetary assets disclosed and described in a note to the financial statements? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 19 & pp. 44 & 45, note 3)</p>		
<p>95. If cash is restricted, is the nature and reason disclosed? (SFFAS 1, par. 30; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 45, note 3, item E)</p>		

Section III Balance Sheet

Assets Inventory and Related Property (96 - 112)	Yes, No, or N/A	Explanation
<p><i>Inventory is tangible personal property that is (a) held for sale, (b) in process of production for sale, or (c) to be consumed in the production of goods for sale or in the provision of services for a fee. Inventory does not include other assets held for sale such as (a) stockpile materials, (b) seized and forfeited property, (c) foreclosed property, and (d) goods held under price support and stabilization programs. (SFFAS 3, par. 17)</i></p>		
<p>96. Is inventory categorized and either separately reported or disclosed in the notes as the following?</p> <ul style="list-style-type: none"> a. inventory held for current sale b. inventory held in reserve for future sale c. excess, obsolete, and unserviceable inventory d. inventory held for repair (SFFAS 3, par. 18, 27, 29, & 32; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 59, note 8) 		
<p>97. Is inventory valued at historical cost, latest acquisition cost, or net realizable value? (SFFAS 3, par. 20 & 26)</p>		
<p>98. If inventory is valued at historical cost, does that cost include the purchase amount and all other costs incurred to bring the inventory into its current condition and location? (SFFAS 3, par. 21)</p>		

Section III Balance Sheet

Assets Inventory and Related Property (96 - 112)	Yes, No, or N/A	Explanation
99. Are one of the following historical cost flow assumptions used to value inventory? a. first-in, first out (FIFO) b. weighted average c. moving average d. any other valuation method (such as a standard cost system) whose results reasonably approximate “a” “b” or “c” (SFFAS 3, par. 22)		
100. Are abnormal costs, such as excessive handling or rework costs, charged to expenses for the period? (SFFAS 3, par. 21)		
101. Is donated inventory valued at its fair value at the time of donation? (SFFAS 3, par. 21)		
102. Is inventory acquired through exchange of nonmonetary assets (e.g., barter) valued at the fair value of the asset received at the time of the exchange? (SFFAS 3, par. 21)		
103. If the latest acquisition cost method of inventory valuation is used, is the latest invoice price (actual cost) applied to all like units, including those acquired through donation and nonmonetary exchange? (SFFAS 3, par. 23)		
104. Under the latest acquisition cost method, is the inventory revalued periodically (or at least by the end of the fiscal year)? (SFFAS 3, par. 23)		

Section III Balance Sheet

Assets Inventory and Related Property (96 - 112)	Yes, No, or N/A	Explanation
105. If the latest acquisition cost method is used to value inventory, is the reported cost of goods sold adjusted by the difference between the beginning and ending unrealized holding gains and losses? (SFFAS 3, par. 25)		
106. If inventory is valued at net realizable value, does it meet the following criteria? a. There is an inability to determine approximate cost. b. There is immediate marketability at quoted prices. c. There is unit interchangeability (e.g., petroleum reserves). (SFFAS 3, par. 26)		
107. Is excess, obsolete, and unserviceable inventory valued at its expected net realizable value? (SFFAS 3, par. 30)		
108. When inventory is declared excess, obsolete, or unserviceable is the difference between the carrying amount and the expected net value recognized as a loss (or gain) and either separately reported or disclosed? (SFFAS 3, par. 30)		
109. Are any subsequent adjustments to the inventory's net value or any loss (or gain) upon disposal recognized as losses (or gains)? (SFFAS 3, par. 30)		

Section III Balance Sheet

Assets Inventory and Related Property (96 - 112)	Yes, No, or N/A	Explanation
110. When inventory is held for repair is it valued using either of the following? a. the allowance method (i.e., it is valued at the same value as a serviceable item and a contra-asset repair allowance account is set up) b. the direct method (original carrying value of the inventory less estimated repair costs) (SFFAS 3, par. 32 & 33)		
111. If inventory is transferred to “inventory held for repair,” are estimated prior-period repair costs either credited to the repair allowance or to the inventory and reported as an adjustment to equity? (SFFAS 3, par. 34)		

Section III Balance Sheet

Assets Inventory and Related Property (96 - 112)	Yes, No, or N/A	Explanation
<p>112. Does the entity disclose the following about its inventory?</p> <ul style="list-style-type: none"> a. the general composition b. the basis for determining inventory values (including the valuation method and any cost flow assumptions) c. changes from prior years' accounting methods, if any d. balances for the major categories of inventory if not broken out in the financial statements e. restrictions on the sale of inventory f. the decision criteria for categorizing inventory g. changes in the criteria for categorizing inventory (SFFAS 3, par. 28, 31, & 35; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 59, note 8) 		

Section III Balance Sheet

Assets Operating Materials and Supplies (113 - 120)	Yes, No, or N/A	Explanation
<p><i>Operating materials and supplies are tangible personal property to be consumed in normal operations. Excluded are (a) operating materials and supplies acquired to construct real property and equipment for the entity's use, (b) stockpile materials, (c) price stabilization goods, (d) foreclosed property, (e) seized and forfeited property, and (f) inventory. (SFFAS 3, par. 36)</i></p>		
<p>113. Are operating materials and supplies categorized and reported or disclosed as the following?</p> <ul style="list-style-type: none"> a. operating materials and supplies held for use b. operating materials and supplies held in reserve for future use c. excess, obsolete, or unserviceable operating materials and supplies (SFFAS 3, par. 36, 37, 45, & 47; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 60, note 8) 		
<p>114. Are operating materials and supplies recognized and reported as assets when produced or purchased? (SFFAS 3, par. 38)</p>		
<p>115. Are operating materials and supplies valued at historical cost, including all appropriate purchase and production costs incurred to bring the items to their current condition and location? (SFFAS 3, par. 43)</p>		
<p>116. Are donated operating materials and supplies valued at their fair value at the time of donation? (SFFAS 3, par. 43)</p>		

Section III Balance Sheet

Assets Operating Materials and Supplies (113 - 120)	Yes, No, or N/A	Explanation
117. Are operating materials and supplies acquired through exchange of nonmonetary assets (e.g., barter) valued at the fair value of the asset received at the time of the exchange? (SFFAS 3, par. 43)		
118. Is one of the following historical cost flow assumptions used to value ending materials and supplies under the consumption method? <ul style="list-style-type: none"> a. first-in, first out (FIFO) b. weighted average c. moving average or d. any other valuation method (such as a standard cost system) whose results reasonably approximate “a,” “b,” or “c” (SFFAS 3, par. 42 & 44) 		

Section III Balance Sheet

Assets Operating Materials and Supplies (113 - 120)	Yes, No, or N/A	Explanation
119. Does the entity disclose the following information about its operating materials and supplies? <ul style="list-style-type: none"> a. general composition b. balances in each operating material and supply category c. change from prior years' accounting methods d. basis for valuation (including valuation method and any cost flow assumptions) e. restrictions on the use of materials and supplies, if any f. decision criteria for identifying each category to which material and supplies are assigned g. changes in the criteria for identifying the category to which the operating materials and supplies are assigned (SFFAS 3, par. 46, 49 & 50; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 60) 		
120. Are excess, obsolete, and unserviceable operating materials valued at their estimated net realizable value? (SFFAS 3, par. 48)		

Section III Balance Sheet

Assets Stockpile Materials (121 - 131)	Yes, No, or N/A	Explanation
<p><i>Stockpile materials are strategic and critical materials held due to statutory requirements for use in national defense, conservation, or national emergencies. Not included under this category are (a) items held for sale or use in normal operations, (b) items held for use in the event of an agency’s operating emergency or contingency, and (c) price support and stabilization goods. (SFFAS 3, par. 51)</i></p>		
<p>121. Are stockpile materials recognized and reported as assets when acquired (i.e., recognized as assets using the consumption method)? (SFFAS 3, par. 52)</p>		
<p>122. Are stockpile materials valued using an acceptable historical cost flow method (i.e., FIFO, weighted average, moving average, or other equivalent method)? (SFFAS 3, par. 53)</p>		
<p>123. Does the cost of stockpile materials include all appropriate costs incurred in bringing the materials to their current condition and location? (SFFAS 3, par. 53)</p>		
<p>124. If stockpile materials have either suffered a permanent decline in value below cost or have become damaged or decayed, has their value been reduced to net realizable value? (SFFAS 3, par. 54)</p>		
<p>125. Is the resultant decline in value recognized as a loss or expense in the period in which it occurs? (SFFAS 3, par. 54)</p>		

Section III Balance Sheet

Assets Stockpile Materials (121 - 131)	Yes, No, or N/A	Explanation
126. When stockpile materials are authorized to be sold, are those materials disclosed as stockpile materials held for sale? (SFFAS 3, par. 55)		
127. Are the stockpile materials authorized for sale valued using the same basis used before they were authorized for sale? (SFFAS 3, par. 55)		
128. Is any difference between the carrying amount (i.e., purchase price or cost) of the stockpile materials held for sale and their estimated selling price disclosed? (SFFAS 3, par. 55)		
129. If stockpile materials are sold, is the cost removed from stockpile materials and reported as a cost of goods sold? (SFFAS 3, par. 55)		
130. Is any gain (or loss) from the sale of stockpile materials recognized as a gain (or loss) at that time? (SFFAS 3, par. 55)		

Section III Balance Sheet

Assets Stockpile Materials (121 - 131)	Yes, No, or N/A	Explanation
<p>131. Does the entity disclose the following information about its stockpile materials?</p> <ul style="list-style-type: none"> a. general composition b. basis for valuing stockpile materials, including valuation method and any cost flow assumptions c. changes from prior-year's accounting methods, if any d. restrictions on the use of the material e. balances in each category of stockpile material (i.e., stockpile materials held and held for sale) f. criteria for grouping stockpile material held for sale g. any changes in criteria for categorizing stockpile materials held for sale (SFFAS 3, par. 56; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 60) 		

Section III Balance Sheet

Assets Seized Property (132 - 141)	Yes, No, or N/A	Explanation
<p><i>Seized property includes monetary instruments, real property, and tangible personal property belonging to others in actual or constructive possession of a custodial agency. (SFFAS 3, par. 59)</i></p> <p><i>There may be as many as three government entities involved with seized property: (1) the seizing agency, (2) the custodial agency and (3) a “central fund” set up for financial record- keeping. (SFFAS 3, par. 57)</i></p>		
<p>132. If seized monetary assets are reported, is a corresponding liability also reported? (SFFAS 3, par. 61; and OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 20)</p>		
<p>133. If the central fund is other than the seizing or custodial entity, does the custodial entity maintain sufficient internal records to carry out its stewardship responsibility? (SFFAS 3, par. 60)</p>		
<p>134. Does the custodial agency recognize seized monetary instruments as assets at their market values and set up corresponding liabilities? (SFFAS 3, par. 61 & 65)</p>		
<p>135. Is the existence of seized property other than monetary instruments disclosed in a note to the statements and accounted for in the entity’s property management records? (SFFAS 3, par. 62)</p>		
<p>136. Is seized property valued at its market value when seized (or as soon thereafter as reasonably possible if the market value cannot be readily determined)? (SFFAS 3, par. 63)</p>		

Section III Balance Sheet

Assets Seized Property (132 - 141)	Yes, No, or N/A	Explanation
137. Is the market value of seized property based on the value of the property assuming an active market exists for the property? (SFFAS 3, par. 63)		
138. If no active market exists for the property in the general area in which it was seized, is a value in the principle market nearest the place of seizure used? (SFFAS 3, par. 63)		
139. Is the valuation of property seized under the Internal Revenue Code based on the taxpayer's equity (market value less any third-party liens)? (SFFAS 3, par. 64)		
140. Does the entity disclose and present by type of seized property in its custody the following? <ul style="list-style-type: none"> a. an explanation of what constitutes a seizure and a general description of the property b. valuation method(s) c. changes from prior years' accounting methods, if any and d. analysis of change in seized property (including dollar value and number of seized properties) that are on hand at the beginning of the year, seized during the year, disposed of during the year, and on hand at the end of the year (SFFAS 3, par. 66; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 61) 		
141. Does the entity also disclose the method of disposal of seized property, if material? (SFFAS 3, par. 66; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 61)		

Section III Balance Sheet

Assets Forfeited property (142 - 149)	Yes, No, Or N/A	Explanation
<p><i>Forfeited property consists of (a) property acquired through forfeiture proceedings, (b) property acquired to satisfy a tax liability, and (c) unclaimed and abandoned merchandise. (SFFAS 3, par. 67 & 68)</i></p>		
<p>142. When a forfeiture judgment is obtained for seized monetary instruments:</p> <ul style="list-style-type: none"> a. Are they reclassified as forfeited monetary instruments at the current market value? b. Is a revenue credit recognized in an amount equal to the value of the monetary asset? c. Is the liability associated with the seized monetary instrument classification removed? (SFFAS 3, par. 69) 		
<p>143. When a forfeiture judgment is obtained for real, tangible, and intangible property:</p> <ul style="list-style-type: none"> a. Is the property recorded as an asset at its fair value at the time of forfeiture? b. Is an allowance account (contra-asset account) established for liens or claims from third party claimants against forfeited property? c. Is an offsetting deferred revenue credit recognized? d. Is revenue recognized upon sale and the merchandise and deferred revenue (referred to in “a” and “c” above) removed from the accounts? (SFFAS 3, par. 70, 72, 75, 76, & 77; SFFAS 6, par. 33) 		

Section III Balance Sheet

Assets Forfeited property (142 - 149)	Yes, No, Or N/A	Explanation
<p>144. Does the entity disclose the following information about forfeited property under its control (including forfeited property) which may be donated or destroyed but not booked as an asset or sold due to legal restrictions?</p> <ul style="list-style-type: none"> a. composition of the property b. valuation method(s) c. changes from prior year’s accounting methods d. analysis of the changes in forfeited property by type and dollar amount that includes: <ul style="list-style-type: none"> i. number of forfeitures on hand at the beginning of the year ii. additions iii. disposals and method of disposition iv. end of the year balances e. restrictions on use or disposition of the property and, if available f. estimates of the value of property to be distributed to other federal, state, and local agencies in future reporting periods? (SFFAS 3, par. 71 & 78; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 61) 		

Section III Balance Sheet

Assets Forfeited property(142 - 149)	Yes, No, Or N/A	Explanation
145. If the entity reclassifies forfeited property not held for sale to property held for donation or use: a. Is revenue recognized upon approval of distribution or use of property? b. Is the associated deferred revenue reversed on the books? (SFFAS 3, par. 73 & 74)		
146. Is a distinction maintained in the entity’s accounting reports between revenue arising from the sale of forfeited property and revenue arising from forfeited property being transferred, donated, or placed into official use? (SFFAS 3, par. 75)		
147. Is property acquired by the government to satisfy a taxpayer’s liability recorded when title to the property passes to the federal government, and is a credit made to the related account receivable? (SFFAS 3, par. 76)		
148. Is the property forfeited in satisfaction of a taxpayer’s liability valued at its market value less any third party liens? (SFFAS 3, par. 76)		
149. Upon sale of the forfeited property mentioned in the previous question, is revenue recognized in the amount of the sale proceeds, and are the property and third party liens removed from the accounts? (SFFAS 3, par. 76)		

Section III Balance Sheet

Assets Goods Held Under Price Support and Stabilization Programs (150 - 163)	Yes, No, or N/A	Explanation
<p><i>Goods acquired under price support and stabilization programs (i.e., commodities) are items of commerce or trade (usually farm commodities) having an exchange value. Producers of the goods: (1) are either given nonrecourse loans under which they can, at their option, repay the loan with interest or surrender their commodity pledged as collateral for the loan or (2) may enter into purchase agreements that allow the producer of the option to sell commodities to the government (the Commodity Credit Corporation) at the price support rate. (SFFAS 3, par. 92, 93, & 94)</i></p>		
<p>150. Are nonrecourse loans recognized as assets at face value when the loan principal is disbursed? (SFFAS 3, par. 96)</p>		
<p>151. Is interest accrued on nonrecourse loans? (SFFAS 3, par. 96)</p>		
<p>152. Is a valuation allowance set up to recognize losses on nonrecourse loans when it is “more likely than not” (i.e., more than a 50-percent chance) that loans will not be totally collected? (SFFAS 3, par. 102)</p>		
<p>153. Is this allowance reestimated on each financial reporting date? (SFFAS 3, par. 102)</p>		

Section III Balance Sheet

Assets Goods Held Under Price Support and Stabilization Programs (150 – 163)	Yes, No, or N/A	Explanation
<p>154. When the entity has entered into a purchase agreement and there is an expected loss:</p> <ul style="list-style-type: none"> a. Is a loss (i.e., the difference between the contract price and the net realizable value of the commodities) recognized if it is probable that a loss has been incurred and is reasonably measurable? b. Is a corresponding liability recognized? (SFFAS 3, par. 97 & 103) 		
<p>155. If the contingent loss arising from a purchase agreement is not recognized because it is less than probable or is not reasonably measurable, is the contingent loss disclosed if it is at least “reasonably possible that a loss may occur?” (SFFAS 3, par. 98)</p>		
<p>156. When commodities are acquired to satisfy a nonrecourse loan or purchase agreement, are they recognized and reported as assets at the lower of cost or net realizable value? (SFFAS 3, par. 99 & 104)</p>		
<p>157. Does the cost for the commodities acquired through a nonrecourse loan settlement include the following amounts?</p> <ul style="list-style-type: none"> a. loan principal (excluding interest) b. processing and packaging costs incurred after acquisition c. other costs (e.g., transportation) incurred in taking title to the commodity (SFFAS 3, par. 105) 		

Section III Balance Sheet

Assets Goods Held Under Price Support and Stabilization Programs (150 – 163)	Yes, No, or N/A	Explanation
<p>158. Does the cost for commodities acquired through a purchase agreement include the following amounts?</p> <ul style="list-style-type: none"> a. the unit price agreed upon in the purchase agreement multiplied by the number of units purchased b. other costs incurred in taking title to the commodity (SFFAS 3, par. 106) 		
<p>159. Is any adjustment necessary to reduce the carrying amount of the acquired commodities to the lower of cost or net realizable value recognized as a loss in the current period and recorded in a commodity valuation allowance? (SFFAS 3, par. 99 & 107)</p>		
<p>160. Conversely, are recoveries of previously recorded losses in the current period recognized up to the point of any previously recognized losses on the commodities, and is the commodity valuation allowance reduced accordingly? (SFFAS 3, par. 107)</p>		
<p>161. When commodities acquired to satisfy the terms of a nonrecourse loan or purchase agreement are sold:</p> <ul style="list-style-type: none"> a. Are revenues recognized? b. Is the carrying amount of the commodities removed from the asset account and reported as a cost of goods sold? (SFFAS 3, par. 100) 		

Section III Balance Sheet

Assets Goods Held Under Price Support and Stabilization Programs (150 – 163)	Yes, No, or N/A	Explanation
162. When commodities are held for purposes other than sale, is the carrying amount reported as an expense and removed from the commodity asset account upon transfer? (SFFAS 3, par. 101)		
163. Is the following information related to goods held under price support and stabilization programs disclosed? <ul style="list-style-type: none"> a. basis for valuing commodities including valuation method and cost flow assumptions (e.g., FIFO, weighted average) b. changes from prior-year’s accounting methods c. restrictions on the use, disposal, or sale of commodities d. analysis of the changes in dollar amount and volume of commodities, including those <ul style="list-style-type: none"> i. on hand at the beginning of the year ii. acquired during the year iii. disposed of during the year by method of disposition iv. on hand at the end of the year v. on hand at year’s end and estimated to be donated or transferred during the coming period vi. received as a result of surrender of collateral related to nonrecourse loans outstanding vi. dollar value and volume of purchase agreement commitments (SFFAS 3, par. 108 & 109; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 62) 		

Section III Balance Sheet

Assets General Property/Plant/Equipment (Net) (164 – 195)	Yes, No, or N/A	Explanation
<p><i>General property, plant, and equipment (PP&E) are any property, plant, and equipment used in providing goods or services. (SFFAS 6, par. 23)</i></p>		
<p>164. Has the entity established, disclosed, and consistently followed appropriate capitalization thresholds for property, plant, and equipment (PP&E) suitable to its financial and operational conditions? (SFFAS 6, par. 13, 148, & 149)</p>		
<p>165. Does the entity follow a policy that ensures that its PP&E consists of tangible assets that meet the following criteria?</p> <ul style="list-style-type: none"> a. They have estimated useful lives of 2 years or more. b. They are not intended for sale in the ordinary course of operations. c. They are acquired or constructed with the intention of being used or being available for use by the entity. (SFFAS 6, par. 17) 		
<p>166. Does PP&E also consist of the following items?</p> <ul style="list-style-type: none"> a. assets acquired through capital leases b. property owned by the reporting entity in the hands of others (e.g., state and local governments, colleges and universities, federal contractors) c. land rights (SFFAS 6, par. 18) 		
<p><i>Capital leases are leases that transfer substantially all the benefits and risks of ownership to the lessee. Operating leases are leases in which the federal entity does not assume the risks of ownership of PP&E. Multiyear service contracts and multiyear purchase agreements for expendable commodities are not capital leases. (SFFAS 6, par. 20, footnote 22; SFFAS 5, par. 43)</i></p>		

Section III Balance Sheet

Assets General Property/Plant/Equipment (Net) (164 - 195)	Yes, No, or N/A	Explanation
<p>167. Does the entity classify a lease as a capital lease if at its inception the lease meets one or more of the following criteria?</p> <ul style="list-style-type: none"> a. The lease transfers ownership of the property to the lessee by the end of the lease term. b. The lease contains an option to purchase the leased property at a bargain price. c. The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property, and the beginning of the lease term does not fall within the last 25 percent of the total estimated economic life of the property. d. The present value of rental and other minimum lease payments, excluding that portion of the payments representing executory cost, equals or exceeds 90 percent of the fair value of the leased property, and the beginning of the lease term does not fall within the last 25 percent of the total estimated economic life of the property. (SFFAS 6, par. 20; SFFAS 5 par. 43) 		

Section III Balance Sheet

Assets General Property/Plant/Equipment (Net) (164 - 195)	Yes, No, or N/A	Explanation
<p>168. Does the general PP&E asset line item exclude the following items?</p> <ul style="list-style-type: none"> a. items held in anticipation of physical consumption such as operating materials and supplies b. items the federal entity has a reversionary interest in c. national defense PP&E d. heritage assets (except multiuse heritage assets⁶) e. stewardship land (i.e., land not included in general PP&E) (SFFAS 6, par. 19, 21, 57, 58, 150 & 151; SFFAS 11, par. 7; SFFAS 16, par. 6) 		
<p>169. In determining the level at which the entity categorizes its PP&E, has the entity considered the following factors?</p> <ul style="list-style-type: none"> a. the cost of maintaining different accounting methods for property and the usefulness of the information b. the diversity of the PP&E (e.g., useful lives, value, alternative uses) c. the future disposition of the PP&E d. the programs being served by the PP&E (SFFAS 6, par. 22) 		

⁶ Multiuse heritage assets are heritage assets used predominately in general government operations (e.g., the main Treasury building which is used as an office building).

Section III Balance Sheet

Assets General Property/Plant/Equipment (Net) (164 - 195)	Yes, No, or N/A	Explanation
<p>170. Does the entity categorize an asset under general PP&E if it has one or more of the following characteristics?</p> <ul style="list-style-type: none"> a. It could be used for alternative purposes (e.g., by other federal programs, state or local governments, or nongovernmental entities) but is used to produce goods or services or to support the mission of the entity. b. It is used for business-type activities. c. It is used by entities in activities whose costs can be compared to those of other entities performing similar activities (e.g., federal hospital services in comparison to other hospitals). (SFFAS 6, par. 23; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 21) 		
<p>171. Is PP&E of entities operating as business-type activities categorized as general PP&E whether or not it meets the definition of other PP&E categories (e.g., heritage assets)? (SFFAS 6, par. 24; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 21)</p>		
<p>172. Are lands and land rights specifically acquired for or in connection with general PP&E included in general PP&E? (SFFAS 6, par. 25; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 21)</p>		
<p>173. Is all general PP&E recorded at cost? (SFFAS 6, par. 26)</p>		

Section III Balance Sheet

Assets General Property/Plant/Equipment (Net) (164 - 195)	Yes, No, or N/A	Explanation
<p>174. Does the cost of general PP&E include all costs incurred to bring the PP&E to a form and location suitable for its intended use, such as the following?</p> <ul style="list-style-type: none"> a. amounts paid to vendors b. transportation charges to the point of initial use c. handling and storage costs d. labor and other direct or indirect production costs (for assets produced or constructed) e. costs of engineering, architectural, and other outside services for designs, plans, specifications, and surveys f. acquisition and preparation costs of buildings and other facilities g. an appropriate share of the cost of the equipment and facilities used in construction work h. fixed equipment and related installation costs required for activities in a building or facility i. direct costs of inspection, supervision, and administration of construction contracts and construction work j. legal and recording fees and damage claims k. fair value of facilities and equipment donated to the government l. material amounts of interest costs paid (SFFAS 6, par. 26) 		

Section III Balance Sheet

Assets General Property/Plant/Equipment (Net) (164 - 195)	Yes, No, or N/A	Explanation
175. Is the recognized cost of general PP&E acquired under a capital lease the lower of either the fair value of the asset or liability for the capital lease at its inception? (SFFAS 6, par. 29)		
176. Is the cost of general PP&E acquired through donation, will, or judicial process, excluding forfeiture, capitalized at estimated fair value at the time acquired by the government? (SFFAS 6, par. 30)		
177. Is general PP&E transferred from other federal entities capitalized at the book value recorded by the transferring entity? (SFFAS 6, par. 31)		
178. Is the asset capitalized at the fair value at the time of the transfer from another federal entity if the receiving entity cannot reasonably ascertain the book value of the PP&E transferred? (SFFAS 6, par. 31)		
179. If general PP&E is acquired through exchange with a nonfederal entity, is it capitalized at the fair value of the PP&E surrendered at the time of the exchange? (SFFAS 6, par. 32)		
180. If, however, the fair value of the PP&E acquired through exchange is more readily determinable than that of the PP&E surrendered, is the acquired general PP&E capitalized at the acquired PP&E's fair value? (SFFAS 6, par. 32)		

Section III Balance Sheet

Assets General Property/Plant/Equipment (Net) (164 – 195)	Yes, No, or N/A	Explanation
181. If the fair values of the exchanged PP&E are not determinable, is the acquired general PP&E capitalized at the book value of the PP&E surrendered? (SFFAS 6, par. 32)		
182. If cash is included in an exchange of general PP&E, is the cost of PP&E acquired increased or decreased, respectively, by the amount of cash surrendered or received? (SFFAS 6, par. 32)		
183. Is PP&E recognized when title passes to the acquiring entity or when PP&E is delivered to the entity or to an agent of the entity? (SFFAS 6, par. 34)		
184. If general PP&E is under construction, is it recorded as construction work in process until it is placed into service? (SFFAS 6, par. 34)		
185. Do estimates of useful life of general PP&E consider such factors as physical wear and tear and technological change? (SFFAS 6, par. 35)		
186. Except for land and land rights of unlimited duration, is general PP&E less its estimated salvage/residual value depreciated in a rational and systematic manner over its estimated useful life? (SFFAS 6, par. 35, 122, & 136; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 21)		
187. Are changes in estimated useful life or salvage and residual value of general PP&E accounted for in the period of change and future periods? (SFFAS 6, par. 35)		

Section III Balance Sheet

Assets General Property/Plant/Equipment (Net) (164 - 195)	Yes, No, or N/A	Explanation
188. Are depreciation and amortization expenses accumulated in contra asset accounts? (SFFAS 6, par. 36)		
189. Are costs that either extend the useful life of existing general PP&E or enlarge or improve its capacity capitalized and depreciated/amortized over the remaining useful life of the asset? (SFFAS 6, par. 37)		
190. When general PP&E is disposed of, retired, or removed from service, is the asset removed from the asset accounts along with the associated accumulated depreciation/amortization? (SFFAS 6, par. 38)		
191. Are the differences between the book value and the amounts realized upon removal of service, retirement, or disposal of general PP&E recognized as a current-period gain or loss? (SFFAS 6, par. 38)		
192. If prior to disposal, retirement, or removal from service, a general PP&E asset no longer provides service in the operations of the entity: <ul style="list-style-type: none"> a. Is it removed from the corresponding asset and contra asset accounts? b. Is its net realizable value recorded in an appropriate asset account? c. Is the difference between its book value and net realizable value recorded as a current period gain or loss? (SFFAS 6, par. 39) 		

Section III Balance Sheet

Assets General Property/Plant/Equipment (Net) (164 - 195)	Yes, No, or N/A	Explanation
<p>193. If historical cost information for existing general PP&E has not been maintained, are cost estimates based on either of the following costs?</p> <ul style="list-style-type: none"> a. the cost of similar assets at the time of acquisition b. the current cost of similar assets discounted for inflation since the time of acquisition (SFFAS 6, par. 40) 		
<p>194. If general PP&E would have been substantially depreciated or amortized had it been recorded upon acquisition, does the entity weigh materiality and cost-benefit in considering either of the following alternatives?</p> <ul style="list-style-type: none"> a. Record only improvements made during the period beyond the initial expected useful life of general PP&E. b. Make an aggregate entry for whole classes of PP&E (e.g., entire facilities rather than a building-by-building estimate). (SFFAS 6, par. 42) 		

Section III Balance Sheet

Assets General Property/Plant/Equipment (Net) (164 - 195)	Yes, No, or N/A	Explanation
<p>195. Does the entity make the following minimum disclosures about its general PP&E?</p> <ul style="list-style-type: none"> a. the cost, associated accumulated depreciation, and book value by major class (e.g., building and structures, fixtures, equipment) b. the estimated useful lives for each major class c. the method(s) of depreciation for each major class d. capitalization threshold(s) including any changes in thresholds(s) during the period e. restrictions on the use or convertibility of general PP&E f. in the period in which SFFAS 6 standards are implemented, adjustments to the PP&E and related contra asset accounts by major class (e.g., buildings, equipment, and vehicles) (SFFAS 6, par. 44 & 45; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 62, note 9) 		

Section III Balance Sheet

Assets Software (196 – 226)	Yes, No, or N/A	Explanation
<p><i>Software includes the application and operating system programs, procedures, rules, and any associated documentation pertaining to the operation of a computer system or program.</i></p> <p><i>“Internal use software” is software that is purchased from commercial vendors “off the shelf,” internally developed, or contractor-developed solely to meet the entity’s internal or operational needs. (SFFAS 10, par. 8)</i></p>		
<p>196. Does the entity capitalize the cost of software when such software meets the following criteria?</p> <ul style="list-style-type: none"> a. specifically identifiable b. determinate life of 2 years or more c. not intended for sale in the ordinary course of operations d. acquired or constructed with the intention of being used by the entity e. meets the criteria for general property, plant, and equipment⁷ (SFFAS 10, par. 15, 38, & 48) 		
<p>197. Are capitalized software costs included under general PP&E or reported separately if the following criteria apply?</p> <ul style="list-style-type: none"> a. The costs are intended to be primarily recovered through user charges. b. The feasibility has been proven. (OMB 97-01 as amended (Jan. 7, 2000), p. 21) 		

⁷ General property, plant, and equipment are defined in SFFAS 6, par. 23 – 25.

Section III Balance Sheet

Assets Software (196 – 226)	Yes, No, or N/A	Explanation
<p>198. Does the capitalized development cost of internally developed software include the full cost (i.e., direct and indirect cost) incurred during the software development stage? (SFFAS 10, par. 16)</p>		
<p>199. Are capitalized software development costs limited to costs incurred after the following steps have been taken?</p> <ul style="list-style-type: none"> a. Management authorizes and commits to a computer software project and believes that it is more likely than not that the project will be completed and the software will be used to perform the intended function with an estimated service life of 2 years or more. b. The conceptual formulation, design, and testing of possible software project alternatives (i.e., preliminary design stage) have been completed. (SFFAS 10, par. 11, 12, 16, 45, 62, & 64) 		
<p>200. Do software capitalization costs include those for new software⁸ and documentation manuals? (SFFAS 10, par. 17, 60, & 61)</p>		
<p>201. Do the capitalized costs for commercial off-the-shelf (COTS) software include the amount paid to the vendor? (SFFAS 10, par. 18)</p>		

⁸ For example: salaries of programmers, systems analysts, project managers, and administrative personnel; associated employee benefits; outside consultants' fees; rent; and supplies.

Section III Balance Sheet

Assets Software (196 - 226)	Yes, No, or N/A	Explanation
202. Do the capitalized costs for contractor-developed software include the amount paid to a contractor to design, program, install, and implement the software? (SFFAS 10, par. 18)		
203. Does the entity capitalize material internal costs incurred to implement the commercial-off-the-shelf software (COTS) or contractor-developed software and otherwise make it ready for use? (SFFAS 10, par. 18)		
204. Does the entity expense all data conversion costs, including the cost to develop or obtain the relevant software, related to internally developed, contractor-developed, or COTS software? (SFFAS 10, par. 14, 19, & 69)		
205. Does the entity expense costs (e.g., ongoing training for users, preventive maintenance) incurred after the completion of final acceptance testing? (SFFAS 10, par. 14 & 20)		
206. Does the entity treat software that serves both internal uses and stewardship purposes (e.g., a global positioning system) as internal use software and capitalize it to the extent such software meets criteria for general PP&E? (SFFAS 10, par. 15 & 21)		

Section III Balance Sheet

Assets Software (196 - 226)	Yes, No, or N/A	Explanation
207. Is computer software that is integrated into general PP&E and necessary to operate it, rather than perform an application, considered part of the PP&E of which it is an integral part, and is it capitalized and depreciated accordingly? (SFFAS 10, par. 22)		
208. If the entity purchased software as part of a package of products and services, does it use a reasonable estimate in allocating the cost difference between capitalizable and noncapitalizable (i.e., expense) elements? (SFFAS 10, par. 23)		
209. Does the entity expense software costs that are not susceptible to allocation between maintenance and relatively minor enhancements? (SFFAS 10, par. 23)		
210. Has the entity established realistic and defensible capitalization thresholds for its internal-use software including bulk purchases of software programs and modules or components of a total software system? (SFFAS 10, par. 24 & 68)		
211. Does the entity capitalize the acquisition cost of enhancements to existing internal-use software, as well as related modules, when it is more likely than not that they will result in significant additional capabilities? (SFFAS 10, par. 25, 42, 43, & 73)		

Section III Balance Sheet

Assets Software (196 - 226)	Yes, No, or N/A	Explanation
212. Does the entity expense the cost of minor enhancements resulting from ongoing systems maintenance as well as the purchase of enhanced versions of software for a minimal charge? (SFFAS 10, par. 26 & 73)		
213. Are material expenditures to add capability and functionality to computer software capitalized? (SFFAS 10, par. 27)		
214. If the expensed repair or upgrades of computer software extends its useful life, is the amortization period adjusted? (SFFAS 10, par. 27, 42, & 43)		
215. Does the entity recognize a loss upon impairment of computer software if either of these conditions apply? <ul style="list-style-type: none"> a. The software is no longer expected to provide substantive service and will be removed from service. b. A significant reduction occurs in the capabilities functions of the software (or module thereof). (SFFAS 10, par. 28, 29, 30, 75 & 76) 		

Section III Balance Sheet

Assets Software (196 - 226)	Yes, No, or N/A	Explanation
<p>216. If the impaired software is to remain in use, is the loss due to impairment measured as the difference between the book value and either of the following amounts?</p> <ul style="list-style-type: none"> a. the cost to acquire software that would perform similar remaining functions (i.e., unimpaired functions) b. the portion of book value attributable to the remaining functional elements of the software (SFFAS 10, par. 29) 		
<p>217. If the loss due to impairment cannot be determined, is the book value of the software amortized over the remaining useful life of the software? (SFFAS 10, par. 29)</p>		
<p>218. If impaired software is to be removed from use, is the loss due to impairment measured as the difference between the book value and net realizable value (NRV)? (SFFAS 10, par. 30 & 44)</p>		
<p>219. Does the entity transfer the NRV, if any, to an appropriate asset account until such time as the software is disposed of and the NRV realized? (SFFAS 10, par. 30)</p>		

Section III Balance Sheet

Assets Software (196 - 226)	Yes, No, or N/A	Explanation
220. If the entity’s managers conclude that, “more likely than not,” developmental software (or a module thereof) will not be completed and placed in service, is the accumulated book value (or the balance in a work-in-process account, if applicable) reduced to reflect the expected NRV and recognized as a loss? (SFFAS 10, par. 31)		
221. Does the entity amortize capitalized software in a systematic and rational manner over the estimated useful life of the software? (SFFAS 10, par. 32 & 70)		
222. Does amortization of capitalized software not begin until successful completion of testing? (SFFAS 10, par. 33, 41, & 71)		
223. If the use of software is dependent on the completion of another or other software module(s), does the amortization not begin until the complementary module(s) have successfully completed testing? (SFFAS 10, par. 33)		
224. Are additions to the book value or changes in useful life of capitalized software treated prospectively (i.e., during the period of change and future periods only) when the software is amortized? (SFFAS 10, par. 34)		

Section III Balance Sheet

Assets Software (196 - 226)	Yes, No, or N/A	Explanation
225. When the entity replaces existing internal-use software with new software, is the unamortized cost of the old software expensed when the new software has successfully completed testing? (SFFAS 10, par. 34)		
226. Does the entity disclose, if material, the following information regarding its capitalized software? <ul style="list-style-type: none"> a. the cost, associated amortization, and book value b. the estimated useful life for each major class of software c. the method(s) of amortization (SFFAS 10, par. 35; SFFAS 6, par. 45) 		

Section III Balance Sheet

Assets Other Assets (227 – 238)	Yes, No, or N/A	Explanation
<p>227. Are other assets listed and described in a note to the financial statements and broken out by homogenous groups within the major categories of assets (i.e., entity versus nonentity, and intragovernmental versus other entity assets)? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 48, note 6)</p>		
<p><i>Advances are cash outlays made by a federal entity to its employees, contractors, grantees, or others to cover the recipient’s anticipated expenses or as advance payments for the costs of goods and services acquired by an entity. (SFFAS 1, par. 57)</i></p> <p><i>Prepayments are payments made by a federal entity to cover certain periodic expenses before those expenses are incurred (SFFAS 1, par. 58)</i></p>		
<p>228. Are advances and prepayments recorded as assets and disclosed in the notes? (SFFAS 1, par. 59; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 19)</p>		
<p>229. Are amounts of advances or prepayments — remaining after related goods or services have been received, contract terms have been met, progress payments have been made, or prepaid expenses have expired — transferred to accounts receivable? (SFFAS 1, par. 59)</p>		
<p>230. Are advances and prepayments that are made to federal entities accounted for and reported separately from those made to nonfederal entities? (SFFAS 1, par. 61)</p>		
<p>231. Are advances and prepayments paid out reported separately (i.e., not netted) from advances and prepayments received? (SFFAS 1, par. 60)</p>		

Section III Balance Sheet

Assets Other Assets (227 – 238)	Yes, No, or N/A	Explanation
<p><i>Property, plant, and equipment are classified as heritage assets if they have (1) historical or natural significance; (2) cultural, educational, or artistic importance; or (3) significant architectural characteristic. (SFFAS 6, par. 57)</i></p>		
<p>232. If the predominant use is in general government operations (e.g., main U.S. Treasury building, which is a heritage asset used as an office building), is acquisition, betterment, or reconstruction of all multiuse heritage assets capitalized as general PP&E and depreciated over the useful life of the assets? (SFFAS 16, par. 6 & 9; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 21)</p>		
<p>233. Does the entity also include a footnote disclosure explaining that “physical quantity” information for the multiuse heritage assets is included in supplemental stewardship reporting for heritage assets? (SFFAS 16, par. 9)</p>		
<p>234. Are multiuse heritage assets acquired through donation or devise recognized as general PP&E at the assets’ fair value? (SFFAS 16, par. 11)</p>		
<p>235. Is the fair value⁹ amount of such assets acquired through donation or devise recognized as “nonexchange revenue,” as defined in SFFAS 7 in the Statement of Change in Net Position? (SFFAS No. 16, par. 11)</p>		

⁹ Fair value is the price for which an asset could be bought or sold in an arm’s-length transaction between unrelated parties. Roman L. Well and Patrick C. O’Brien, *Accounting: The Language of Business*, 9th ed. (Sun Lakes, Arizona: Thomas Horton and Daughters, 1994).

Section III Balance Sheet

Assets Other Assets (227 – 238)	Yes, No, or N/A	Explanation
<p><i>Land is defined as the solid part of the surface of the earth. Excluded from the definition of land are depletable resources, such as timber and other continental shelf resources. (SFFAS 6, par. 66 & 67)</i></p>		
<p>236. Are land and land rights owned by the federal government, except those acquired for or in connection with general PP&E, referred to as stewardship land in the entity's annual report? (SFFAS 6, par. 68, 137 & 228)</p>		
<p>237. Are significant structures that have been acquired with stewardship land and have a significant operating use treated as general PP&E (i.e., capitalized and depreciated) if used in operations? (SFFAS 6, par. 70 & 232)</p>		
<p>238. Is the cost of a structure acquired with stewardship land that is to be used in operations included in the acquisition cost of the land if one of the following apply?</p> <ul style="list-style-type: none"> a. The structure's value is insignificant compared to the value of the land. b. The structure has little or no inherent value. c. The structure is merely a byproduct of the acquisition of the land. (SFFAS 6, par. 70) 		

Section III Balance Sheet

Liabilities Liabilities in General (239 - 240)	Yes, No, or, N/A	Explanation
<p><i>Liabilities of federal agencies are reported under two major categories: (1) liabilities covered by budgetary resources and (2) liabilities not covered by budgetary resources. Within each of these two categories, liabilities are classified as (1) intragovernmental liabilities, which are amounts owed to other federal entities or (2) governmental liabilities, which are amounts owed to nonfederal entities by the federal government or an entity within the federal government. (SFFAS 1, par. 21; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 16 & 22)</i></p> <p><i>A liability for federal accounting purposes is a probable and measurable future outflow or other sacrifice of resources as a result of past transactions or events. (SFFAS 5, par. 19, 20, & 21; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 22)</i></p> <p><i>Probable refers to that which can reasonably be expected or is believed to be more likely than not on the basis of available evidence or logic. However, in the context of assessing the outcome of matters of pending or threatened litigation and unasserted claims and recognizing an associated liability, “probable” refers to that which is likely, not to that which is “more likely than not.” (SFFAS 5, par. 33; SFFAS 12, par. 10)</i></p> <p><i>Measurable refers to that which can be quantified in monetary units with sufficient reliability to be reasonably estimable. (SFFAS 5, par. 34)</i></p>		
<p>239. Are liabilities recognized when incurred regardless of whether they are covered by available budgetary resources (including those liabilities related to appropriations cancelled under "M" account legislation)? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 22)</p>		

Section III Balance Sheet

Liabilities Liabilities in General (239 - 240)	Yes, No, or, N/A	Explanation
<p>240. Does the federal entity recognize a liability for probable and measurable future outflows or other sacrifices of resources arising from one or more of the following events?</p> <ul style="list-style-type: none"> a. past exchange transactions b. government-related events, such as government-caused damages c. government-acknowledged events, such as natural disasters, for which the government has taken formal responsibility for the related costs d. nonexchange transactions that, according to current law and applicable policy, are unpaid amounts due as of the reporting date. (SFFAS 5, par. 19 - 34; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 22) 		

Section III Balance Sheet

Liabilities Interest Payable (241 - 248)	Yes, No, or N/A	Explanation
<p><i>Accounts payable are amounts owed by a federal entity for goods and services received from, progress in contract performance made by, and rents due to other entities. (SFFAS 1, par. 74; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 22)</i></p>		
<p>241. Do accounts payable exclude amounts related to ongoing continuous expenses, such as salary and related benefits expense, which are classified as other current liabilities? (SFFAS 1, par. 75)</p>		
<p>242. Are accounts payable owed to other federal agencies reported separately from those owed to the public? (SFFAS 1, par. 76; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 16 & 22)</p>		
<p>243. When an entity accepts title to goods, whether the goods are delivered or in transit, does the entity recognize a liability for the unpaid cost of goods? (SFFAS 1, par. 77)</p>		
<p>244. If invoices for goods, for which the entity has accepted the title, are not available, does the entity estimate the amount owed? (SFFAS 1, par. 77)</p>		
<p>245. For facilities or equipment constructed or manufactured by contractors or grantees according to agreements or contract specifications, are amounts recorded as payable based on an estimate of work completed under the contract or the agreement in accordance with the federal entity's engineering and management evaluation of actual performance progress and incurred costs? (SFFAS 1, par. 78 & 79)</p>		

Section III Balance Sheet

Liabilities Interest Payable (241 - 248)	Yes, No, or N/A	Explanation
246. Are accounts payable covered by budgetary resources separately reported from those not covered by budgetary resources? (SFFAS 1, par. 80; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 16 & 22)		
247. Is interest incurred but unpaid on liabilities and late payments and refunds recognized as interest payable and reported as a liability at the end of each period? (SFFAS 1, par. 81; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 22)		
248. Is interest payable to federal entities reported separately from interest payable to the public? (SFFAS 1, par. 82)		

Section III Balance Sheet

Liabilities Liabilities for Loan Guarantees (249 – 262)	Yes, No, or N/A	Explanation
<p><i>A loan guarantee is any guarantee, insurance (but not deposit insurance), or other pledge with respect to the payment of all or part of the principal or interest on any debt obligation of a nonfederal borrower to a nonfederal lender. (SFFAS 2, app. C)</i></p> <p><i>The Federal Credit Reform Act of 1990 requires federal entities to estimate and budget for the costs arising from default of guaranteed loans made after fiscal year (FY) 1991 (i.e., post 1991). (SFFAS 2, par. 7; OMB 97-01 as amended (Jan. 7, 2000), p. 55)</i></p>		
<p>249. Is the present value of estimated net cash outflows from post-1991 (i.e., committed after September 30, 1991) loan guarantees recognized as a liability? (SFFAS 2, par. 7 & 23)</p>		
<p>250. Does the entity disclose by loan program the face value of guaranteed loans outstanding and the amount of outstanding principal guaranteed? (SFFAS 2, par. 23; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 51, note 7, item F & p. 55, 1st par.)</p>		
<p>251. Does the entity disclose by loan program the estimated liabilities¹⁰ arising from post-1991 loan guarantees? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 52, note 7, item G & p. 57, item G)</p>		

¹⁰ That is, the present value of the estimated net cash flows (outflows less inflows) to be paid by the entity arising from loan guarantees).

Section III Balance Sheet

Liabilities Liabilities for Loan Guarantees (249 - 262)	Yes, No, or N/A	Explanation
252. Is a liability for a pre-1992 (i.e., committed before October 1, 1991) loan guarantee recognized when it is more likely than not that the loan guarantee will require a future cash outflow to pay a default claim? (SFFAS 2, par. 39 & app. B, part IV A)		
253. Is the face value of pre-1992 guaranteed loans outstanding and related liability broken out by loan program and disclosed in a note to the financial statements? (OMB Bull. 97-01 as amended (Jan. 7, 2000), note 7, items A & G; pp. 49, 52, 55, item A 1 st par.; & p. 57, item G)		
254. Are the liabilities for the pre-1992 loan guarantees reestimated each year as of the date of the financial statements? (SFFAS 2, par. 39)		
255. Does the entity disclose, by loan program, whether pre-1992 loan guarantees are reported on a present-value basis ¹¹ or under the allowance-for-loss method? ¹² (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 52 items, G1 & G2; p. 55, item A, 4 th par.; & p. 57, item G)		
256. When the total loan guarantee liability for all of the credit programs is negative, is this reported as an asset? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 23)		

¹¹ Under the present-value method, the liability for loan guarantees is the present value of the expected net cash outflows due to the loan guarantees.

¹² Under the allowance-for-loss method, the liability for loan guarantees is the amount the agency estimates will more likely than not require future cash outflow to pay default claims.

Section III Balance Sheet

Liabilities Liabilities for Loan Guarantees (249 - 262)	Yes, No, or N/A	Explanation
257. However, if a loan guarantee liability is the result of both positive and negative amounts of the various components, is the total shown as a liability, and are the negative components (of the loan guarantee liability) disclosed? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 23)		
<p><i>A “modification” is a federal government action, including new legislation or administrative action, that directly or indirectly alters the estimated subsidy cost and the present value of outstanding direct loans or the liability of loan guarantees. (SFFAS 2, par. 41)</i></p> <p><i>Direct modifications are actions that change the subsidy cost by altering the terms of existing contracts or by selling loan assets. (SFFAS 2, par. 42)</i></p> <p><i>Indirect modifications are actions that change the subsidy cost by legislation that alters the way in which an outstanding portfolio of direct loans or guarantees is administered. (SFFAS 2, par. 43)</i></p>		
258. When post-1991 loan guarantees are modified, is the existing book value of the related liability changed to an amount equal to the present value ¹³ of net cash outflows that are projected under the modified terms from the time of the modification to the loan’s maturity? (SFFAS 2, par. 50 & app. B, part III D(4); SFFAS 19, par. 7(d))		

¹³ That is, discounted at the Treasury rate in effect when the guaranteed loans were first disbursed after adjusting for the interest rate reestimate.

Section III Balance Sheet

Liabilities Liabilities for Loan Guarantees (249 - 262)	Yes, No, or N/A	Explanation
<p>259. When pre-1992 loan guarantees are directly modified:</p> <ul style="list-style-type: none"> a. Are they transferred from the liquidating account to a financing account? b. Is the existing book value of the liability of the modified loan guarantees changed to an amount equal to their post-modification liability (i.e., the present value of the net cash outflows under post-modification terms discounted at the current Treasury rate)? (SFFAS 2, par. 51 & app. B, part IV B(4)) 		
<p>260. If pre-1992 loan guarantees are indirectly modified:</p> <ul style="list-style-type: none"> a. Are they kept in a liquidating account? b. Is the related liability reassessed and adjusted to reflect any change in the liability resulting from the modification? (SFFAS 2, par. 51) 		
<p>261. Are subsequent modifications of pre-1992 loan guarantees treated as a modification of post-1991 loan guarantees? (SFFAS 2, par. 51)</p>		
<p>262. If a post-1991 or pre-1992 loan is sold with a recourse provision, is the present value (discounted at the Treasury rate in effect at the time of the sale) of the estimated losses recognized as a subsidy expense and loan guarantee liability? (SFFAS 2, par. 53 & 54 & app. B, part I F(3))</p>		

Section III Balance Sheet

Liabilities Lease Liabilities (263 – 266)	Yes, No, or N/A	Explanation
<p><i>Capital leases are leases that transfer substantially all of the benefits and risks of ownership to the lessee. (SFFAS 5, par. 43)</i></p>		
<p>263. Is the amount recorded by the lessee as a liability under a capital lease arrangement the lesser of the following amounts?</p> <ul style="list-style-type: none"> a. the present value of rental and other minimum lease payments (excluding executory costs) during the lease term b. the fair value¹⁴ of the property at the inception of the lease (SFFAS 5, par. 43 & 44) 		
<p>264. Does the entity use the applicable Treasury borrowing rate to determine the interest rate charged on a capital lease unless the following apply?</p> <ul style="list-style-type: none"> a. It is practicable for the lessee to learn the implicit rate computed by the lessor. b. The implicit rate is less than the Treasury borrowing rate. (SFFAS 5, par. 45) 		
<p>265. During the lease term is each minimum payment allocated between a reduction of the obligation and interest expense so as to produce a constant periodic rate of interest on the remaining balance of the liability? (SFFAS 5, par. 46)</p>		

¹⁴ Fair value is the price for which an asset could be bought or sold in an arm's-length transaction between unrelated parties. Roman L. Well and Patrick C. O'Brien, *Accounting: The Language of Business*, 9th ed. (Sun Lakes, Arizona: Thomas Horton and Daughters, 1994).

Section III Balance Sheet

Liabilities Lease Liabilities (263 – 266)	Yes, No, or N/A	Explanation
<p>266. Does the entity disclose in a note to the statements the following information about its capital leases?</p> <ul style="list-style-type: none"> a. gross amounts of assets under capital lease by major asset category b. a description of the lease arrangements, for example: future funding commitments, lease terms, renewal options, escalation clauses, restrictions, and amortization periods c. future payments due, by major asset category, and deductions for imputed interest and executory costs for all noncancellable leases with terms longer than 1 year d. a breakout of portions of the capital lease liability covered by budgetary resources and not covered by budgetary resources (OMB Bull. 97-01 as amended (Jan. 7, 2000), note 12, pp. 67 & 69, item A) 		

Section III Balance Sheet

Liabilities Federal Debt and Related Interest (267 – 278)	Yes, No, or N/A	Explanation
<p><i>Debts are amounts borrowed from the Treasury, the Federal Financing Bank, other federal agencies, or the public under general or special financing authority such as Treasury bills, notes, bonds, and FHA debentures. (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 23)</i></p>		
<p>267. Does the entity accounting for federal debt identify the amount of the outstanding debt liability at any given time and the related interest cost for each accounting period? (SFFAS 5, par. 48)</p>		
<p>268. Are fixed-value securities with known redemption or maturity amounts valued at their original face (par) value net of any unamortized discount or premium? (SFFAS 5, par. 50)</p>		
<p><i>The straight-line method for amortizing a bond premium or discount reduces it in equal amounts over the life of the bond. (A.N. Mosch and E. John Larsen, Intermediate Accounting, McGraw-Hill Book Company, fifth edition 1982, p. 612.)</i></p> <p><i>The interest method for amortizing a bond premium or discount reduces the discount or premium by the difference between the effective interest and stated interest on the bond. (SFFAS 1, app. B)</i></p>		
<p>269. Is either the straight line or interest method of discount or premium amortization used if the following conditions are met?</p> <p>a. The short-term securities have a maturity of 1 year or less.</p> <p>b. In the case of longer-term securities, the difference between the amount of amortization under the interest and straight-line methods is immaterial. (SFFAS 5, par. 50)</p>		

Section III Balance Sheet

Liabilities Federal Debt and Related Interest (267 – 278)	Yes, No, or N/A	Explanation
270. Is the interest method used for amortizing any discount or premium if the conditions listed in the previous question are not met? (SFFAS 5, par. 51)		
271. If the entity has issued variable value securities of unknown redemption or maturity values, are they appraised at their original value and periodically revalued on the basis of the regulations or offering language? (SFFAS 5, par. 52)		
272. Are old currencies issued by the federal government and not yet redeemed or written off identified as a federal debt liability at face value? (SFFAS 5, par. 55)		
273. Are the beginning balance, net borrowing, and ending balances of debt disclosed? (SFFAS 5, par. 48; OMB Bull. 97-01 as amended (Jan. 7, 2000), note 10, p. 63)		
274. Are the following categories of debt disclosed? <ul style="list-style-type: none"> a. total public debt (reported by the Treasury Department only) broken out by debt b. total agency debt issued under special financing authority (e.g., FHA debentures and TVA bonds) broken out by debt held by the government accounts and debt held by the public c. other debt broken out by debt owed to the Treasury, debt owed to the Federal Financing Bank, and debt owed to other federal agencies (OMB Bull. 97-01 as amended (Jan. 7, 2000), note 10, pp. 63 & 64) 		

Section III Balance Sheet

Liabilities Federal Debt and Related Interest (267 – 278)	Yes, No, or N/A	Explanation
275. Is all debt owed to Treasury, the Federal Financing Bank, or other federal agencies reported under intragovernmental liabilities and disclosed as intragovernmental debt? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 16 & note 10, pp. 63 & 64)		
276. Is all debt owed to the public reported and disclosed as such? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 16 & note 10, pp. 63 & 64)		
277. Are the names of the agencies disclosed, other than Treasury or Federal Financing Bank, to which intragovernmental debt is owed, and are the amounts disclosed? (OMB Bull. 97-01 as amended (Jan. 7, 2000), note 10, p. 64)		
278. Is other information relative to debt disclosed (e.g., maturity dates, redemption or call of debt owed to the public before maturity dates, write-offs of debts owed to Treasury or the Federal Financing Bank)? (OMB Bull. 97-01 as amended (Jan. 7, 2000), note 10, p. 64)		

Section III Balance Sheet

Liabilities Pensions, Other Retirement Benefits, and Postemployment Benefits (279 - 287)	Yes, No, or N/A	Explanation
<p><i>Federal employee and veterans benefits include the actuarial portion of pensions, other retirement benefits, and other postemployment benefits. They do not include liabilities related to ongoing continuous expenses such as employees' accrued salary, accrued annual leave, unpaid portions of employee benefits, and other benefits that are currently due. These items are reported under the "other liabilities" line item. (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 23)</i></p> <p><i>In the context of accounting for pensions, other retirement benefits (ORB), and other postemployment benefits, the "administrative entity" manages and accounts for the pension or other employee plan, while the "employer entity" employs federal workers and generates employee costs, for which it would typically receive a salary and expense appropriation. (SFFAS 5, par. 57, footnote 38)</i></p> <p><i>The "aggregate entry age normal" actuarial cost method is one under which the expenses or liabilities arising from the actuarial present value of projected pension benefits are allocated on a level basis over the earnings or the service of the group between entry age and assumed exit ages. The portion of the actuarial present value allocated to a valuation year is called "normal cost." (SFFAS 5, par. 64)</i></p>		
<p>279. Is the aggregate entry age normal actuarial cost method used to calculate, for the administrative entity financial statements, the liabilities arising from pension and ORB expenses? (SFFAS 5, par. 64 & 82)</p>		
<p>280. If other actuarial cost methods are used, does the entity provide an explanation? (SFFAS 5, par. 64)</p>		
<p>281. Does the administrative entity report pension and ORB assets separately from liabilities as opposed to netting them out? (SFFAS 5, par. 68 & 85)</p>		

Section III Balance Sheet

Liabilities Pensions, Other Retirement Benefits, and Postemployment Benefits (279 - 287)	Yes, No, or N/A	Explanation
282. Does the administrative entity carry pension and ORB assets at their acquisition cost, adjusted for amortization, if appropriate? (SFFAS 5, par. 68 & 85)		
283. Does the administrative entity disclose the market value of pension and ORB investments in market-based and marketable securities? (SFFAS 5, par. 68 & 85)		
284. Does the employer entity recognize the long-term other postemployment benefits liability as the present value of future payments discounted at the Treasury borrowing rate for securities of similar maturity? (SFFAS 5, par. 95)		
285. Does the administrative entity disclose and report separately the liabilities arising from pensions, other retirement benefits, and other postemployment benefits that are covered by budgetary resources and the liabilities that are not covered by budgetary resources? (OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 16 & 23 & note 13, p. 70)		
286. Does the administrative entity disclose the assumptions used to calculate the liability for pensions, other retirement benefits, and other postemployment benefits? (SFFAS 5, par. 67 & 83; OMB Bull. 97-01 as amended (Jan. 7, 2000), note 13, p. 70)		

Section III Balance Sheet

Liabilities Pensions, Other Retirement Benefits, and Postemployment Benefits (279 - 287)	Yes, No, or N/A	Explanation
<p>287. If the assumptions for a pension plan differ from the assumptions used by the three primary plans — Civil Service Retirement System (CSRS), Federal Employees Retirement System (FERS), and Military Retirement System (MRS) — does the administrative entity disclose how and why the assumptions differ from those of the primary plans? (SFFAS 5, par. 67; OMB Bull. 97-01 as amended (Jan. 7, 2000), note 13, p. 70)</p>		

Section III Balance Sheet

Liabilities Other Liabilities (288 - 318)	Yes, No, or N/A	Explanation
<p><i>Unless they are reported separately, other liabilities cover liabilities not recognized in other categories. They include, but are not limited to: capital leases, insurance, advances and prepayments, deposit funds held in escrow and accrued liabilities and liabilities for losses, claims, and other contingencies. Claims and other contingencies include: indemnity agreements, adjudicated claims, commitments to international institutions, and clean-up costs. (SFFAS 1, par. 83 - 86; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 24)</i></p>		
<p>288. Do all federal insurance and guarantee programs (except social insurance and loan guarantee programs) recognize a liability for unpaid claims incurred resulting from insured events that have occurred as of the reporting date? (SFFAS 5, par. 104; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 24)</p>		
<p>289. Do federal insurance programs accrue a contingent liability when an existing condition, situation, or set of circumstances involving uncertainty as to possible loss exists, and when the following conditions apply?</p> <ul style="list-style-type: none"> a. The uncertainty will be resolved when one or more probable future events occur or fail to occur. b. Future outflow or other sacrifice of resources is probable and measurable. (SFFAS 5, par. 104 & 108; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 24) 		
<p>290. When insurance payments and losses extend beyond the current year, are net losses calculated on a present-value basis to reflect the time value of money? (SFFAS 5, par. 109)</p>		

Section III Balance Sheet

Liabilities Other Liabilities (288 - 318)	Yes, No, or N/A	Explanation
291. Does the entity report under “required supplementary stewardship information” (RSSI) the major assumptions and “risks assumed” (i.e., the present value of unpaid losses net of associated premiums based on risk inherent in the insurance or guarantee coverage) for all sponsored insurance programs (except for social insurance, life insurance, and loan guarantee programs)? (SFFAS 5, par. 105, 106, & 109)		
292. Does the entity also report under RSSI the indicators of the range of uncertainty around insurance-related estimates and sensitivity of the estimates to changes in major assumptions? (SFFAS 5, par. 114)		
<p style="text-align: center;"><i>The liability for future policy benefits is the present value of future outflows to be paid to (or on behalf of) policyholders, less the present value of future related premiums. In general, for whole life policies, the liability for future policy benefits should be no less than the cash surrender value that accrues to the benefit of the policyholder. (SFFAS 5, par. 116)</i></p>		
293. Does the entity also recognize a liability for future insurance policy benefits (such as death or disability)? (SFFAS 5, par. 104; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 24)		

Section III Balance Sheet

Liabilities Other Liabilities (288 – 318)	Yes, No, or N/A	Explanation
294. Are liabilities for future benefits of whole life insurance policies reported and disclosed in accordance with private sector standards (i.e., FASB SFAS 60, 97, & 120; AICPA SOP 95-1)? (SFFAS 5, par. 117 & 191 – 193; OMB Bull. 97-01 as amended (Jan. 7, 2000), note 14, p. 70)		
295. Does the liability for future benefits relating to participating life insurance contracts equal the sum of the following amounts? a. the net-level premium reserve for death and endowment policy benefits b. liability for terminal dividends and c. any premium deficiency ¹⁵ (SFFAS 5, par. 118 & 120)		
296. Has the entity made an assessment to compare the liability for future policy benefits using actuarial assumptions applicable at the time the contract was made (contract assumptions) with the liability for future policy benefits using assumptions that consider the following factors? a. current economic conditions (i.e., current and expected investments and expected long-term yields) b. experience (i.e., mortality, morbidity, and termination rates) (SFFAS 5, par. 119)		

¹⁵ A premium deficiency occurs if the liability for future policy benefits using current conditions exceeds the liability for future policy benefits.

Section III Balance Sheet

Liabilities Other Liabilities (288 – 318)	Yes, No, or N/A	Explanation
<p>297. Does the entity disclose the components¹⁶ of the liability for future policy benefits of whole life insurance contracts along with a description of each amount and explanation of its projected use? (SFFAS 5, par. 121; OMB Bull. 97-01 as amended (Jan. 7, 2000), note 14, p. 70)</p>		
<p>298. Does the reporting entity disclose and break out the following items?</p> <ul style="list-style-type: none"> a. the portion of other liabilities covered by budgetary resources and the portion not covered by budgetary resources b. the portion of other liabilities payable to governmental (i.e., federal) entities and the portion payable to nonfederal entities c. the portion of other liabilities that are noncurrent and the portion that are current (SFFAS 1, par. 83 - 86; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 16 & 24 & note 11, pp. 65 & 66) 		
<p>299. Does the agency record “unearned revenue” as a liability if it requests advances or progress payments prior to receipt of cash, and does it record the amounts? (SFFAS 7, par. 37)</p>		
<p>300. Are amounts payable for refunds, refund offsets,¹⁷ and drawbacks¹⁸ recognized as liabilities when measurable and legally payable under established processes of the collecting entity? (SFFAS 7, par. 57 & app. E)</p>		

¹⁶ That is, the net-level premium reserve for a death and endowment policy and the liability for terminal dividends.

¹⁷ Amounts withheld from refunds on behalf of other agencies.

¹⁸ Refunds payable on duties paid on imported goods that are subsequently exported or destroyed.

Section III Balance Sheet

Liabilities Other Liabilities (288 - 318)	Yes, No, or N/A	Explanation
301. Do amounts payable for refunds include refund claims filed by the taxpayer in which the government has determined the amount payable and identified the payee? (SFFAS 7, par. 57)		
302. Are filed claims for refunds, even if reasonably estimable, excluded from payables if administrative actions have not been completed as of the close of the reporting period? (SFFAS 7, par. 58.A)		
303. Are unasserted claims for refunds, even if reasonably estimable, excluded from payables? (SFFAS 7, par. 58.B)		
304. Are voluntarily made deposits pending settlements and judgments separately recognized as deposit liabilities? (SFFAS 7, par. 59)		

Section III Balance Sheet

Liabilities Other Liabilities (288 – 318)	Yes, No, or N/A	Explanation
<p><i>A loss contingency is an existing condition, situation, or set of circumstances involving uncertainty as to possible loss to an entity. The uncertainty should ultimately be resolved when one or more future events occur or fail to occur. (SFFAS 5, par. 35; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 24 & note 16, p. 71)</i></p>		
<p>305. Does the entity recognize estimated losses for claims or other contingencies if the following conditions apply?</p> <ul style="list-style-type: none"> a. A past event or exchange transaction has occurred. b. A future outflow or other sacrifice of resources is probable.¹⁹ c. The future outflow or sacrifice of resources is measurable. (SFFAS 5, par. 33 & 38; SFFAS 12, par. 10 & 11; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 24) 		
<p>306. If any one of the conditions for recognizing a contingent liability are not met and there is at least a “reasonable possibility”²⁰ that a loss or additional loss may be incurred, does the entity disclose the nature of the contingency and the following?</p> <ul style="list-style-type: none"> a. an estimate of the possible liability b. an estimate of the range of the possible liability c. a statement that such an estimate cannot be made (SFFAS 5, par. 36, 38, 40, & 41) 		

¹⁹ In the context of pending or threatened litigation, “probable” is taken to mean “likely;” otherwise, “probable” refers to that which is believed to be more “likely than not” or can be reasonably expected.

²⁰ That is, the chance of a future event occurring is less than “probable” but more than “remote.”

Section III Balance Sheet

Liabilities Other Liabilities (288 - 318)	Yes, No, or N/A	Explanation
<p>307. If no amount within the range of possible liabilities is a better estimate than any other amount:</p> <ul style="list-style-type: none"> a. Is the minimum amount in the range of possible liabilities recognized? b. Is the range and a description of the nature of the contingency disclosed? (SFFAS 5, par. 39) 		
<p>308. If information about remote contingencies, or related to remote contingencies, is included in general-purpose federal financial reports,²¹ is the information labeled to avoid the misleading implication that there is more than a remote chance of a loss of that amount? (SFFAS 5, par. 42)</p>		
<p>309. If material, does the entity separately disclose a contingent liability for environmental clean-up costs²² for PP&E if the following criteria apply?</p> <ul style="list-style-type: none"> a. They are related to a past transaction or event. b. The related costs are probable and measurable. (SFFAS 5, par. 38 & SFFAS 6, par. 91 - 93; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 24) 		
<p>310. When clean-up costs are paid, are the payments recognized as a reduction in the liability for clean-up costs? (SFFAS 6, par. 100)</p>		

²¹ For example, the total face amount of insurance and guarantees in force.

²² Clean-up costs are the costs of removing, containing, or disposing of hazardous waste or material and/or property that consists of hazardous waste or permanent or temporary closure of associated PP& E. (SFFAS 6, par. 85)

Section III Balance Sheet

Liabilities Other Liabilities (288 - 318)	Yes, No, or N/A	Explanation
<p>311. If clean-up costs have not been previously recognized, is a liability recognized for the portion of the estimated total clean-up cost that is attributable to either the portion of the physical capacity used or the portion of the estimated useful life that has passed, since the PP&E was placed into service? (SFFAS 6, par. 104)</p>		
<p>312. When clean-up costs are recognized for the first time, is the offsetting charge for any liability for clean-up costs shown as a “prior-period adjustment?” (SFFAS 6, par. 105)</p>		
<p>313. Are the amounts of prior-period adjustments arising from belated recognition of clean-up costs and liabilities disclosed and, if possible, associated with current and prior periods? (SFFAS 6, par. 105)</p>		
<p>314. Are any subsequent changes (made in periods following implementation) in estimated total clean-up cost immediately expensed (if costs are to be recovered through user charges) and reflected in the related liability balance? (SFFAS 6, par. 104)</p>		

Section III Balance Sheet

Liabilities Other Liabilities (288 - 318)	Yes, No, or N/A	Explanation
<p>315. Does the entity also disclose the following information?</p> <ul style="list-style-type: none"> a. the sources (i.e., applicable laws and regulations) of clean-up requirements b. the method for assigning estimated total clean-up costs to current operating periods (e.g., physical capacity versus passage of time) c. the unrecognized portion of estimated total clean-up costs associated with general PP&E d. the material changes in total estimated clean-up costs due to changes in laws, technology, or plans e. the portion of change in an estimate that relates to prior-period operations f. the nature of estimates and the disclosure of information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations (SFFAS 6, par. 107 - 111) 		
<p><i>Social insurance programs provide for the maintenance and distribution of incomes and medical benefits during periods of unemployment, disability, and retirement. These programs are Social Security, Medicare, and Railroad Retirement Benefits, Black Lung Benefits, and Unemployment Insurance. Expense and liability recognition for these programs is the same for both the consolidated governmentwide entity as for the component entities. (SFFAS 17, par. 2, 4, 14, & 30)</i></p>		
<p>316. Does the entity recognize a liability for social insurance benefits due and payable including claims incurred but not reported? (SFFAS 17, par. 22, 59 – 63, & 113)</p>		

Section III Balance Sheet

Liabilities Other Liabilities (288 – 318)	Yes, No, or N/A	Explanation
<p>317. Does the liability for unemployment insurance include the following amounts?</p> <ul style="list-style-type: none"> a. amounts due to states and territories for benefits they have paid to beneficiaries but for which they have not withdrawn funds from the federal unemployment trust fund (UTF) as of the fiscal year-end b. estimated amounts to be withdrawn from UTF and benefits paid by states and territories after fiscal year-end for compensatory days occurring prior to fiscal year-end (SFFAS 17, par. 23) 		
<p>318. Does the entity separately report items within other liabilities if the amounts are material? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 24)</p>		

Section III Balance Sheet

Net Position Unexpended Appropriations & Cumulative Results of Operations (319 – 322)	Yes, No, or N/A	Explanation
319. Does the line item “unexpended appropriations” include both the portion of the entity’s appropriation represented by undelivered orders and unobligated balances? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 25)		
320. Does the entity break out and disclose the portion of unexpended appropriations represented by undelivered orders and unobligated amounts? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 71, note 15)		
321. Does the entity disclose its estimate of obligations related to cancelled appropriations for which it has a contractual commitment for payment? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 71, note 16)		
322. Does the line item “cumulative results of operations” include the following items? <ul style="list-style-type: none"> a. the net results of operations since inception b. the cumulative amount of prior-period adjustments c. the cumulative amount of donations and transfers of assets in and out of the entity’s control (i.e., constructive ownership) without reimbursement d. the cumulative amounts related to investment in capitalized assets, such as PP&E (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 25) 		

Section IV Statement of Net Cost

The questions related to the Statement of Net Cost are presented under three general captions and 12 line items. The question numbers related to each caption and line item follow.

	<u>Question Numbers</u>
Cost Accounting in General	
1. Overall Requirements	1 - 16
2. Responsibility Segments	17 - 21
3. Full Cost	22 - 30
4. Interentity Costs	31 - 36
5. Costing Methodology	37 - 45
 Revenues	 46 - 69
 Costs	
6. Pensions and Other Retirement and Postemployment Benefits	70 - 94
7. Inventory, Materials, Supplies, and Commodities	95 - 103
8. Property, Plant, and Equipment	104 - 118
9. Clean-up Costs	119 - 127
10. Interest	128 - 129
11. Insurance and Subsidies	130 - 133
12. Credit Programs	134 - 182

Section IV Statement of Net Cost

Cost Accounting in General Overall Requirements (1 - 16)	Yes, No, or N/A	Explanation
<p><i>The Statement of Net Cost is designed to show separately the components of the net cost of the reporting entity's operations for the period. The statement and any related supporting schedules classify revenue and cost information by suborganization or responsibility segment. (OMB Bull. 97-01 as amended (Jan.7, 2000) , p. 27)</i></p> <p><i>Information presented in the Statement of Net Costs mostly depends on the agency properly implementing SFFAS No. 4, Managerial Cost Accounting Standards for the Federal Government. SFFAS No. 4 essentially defines how costs are determined and provides guidance for defining and structuring responsibility segments. (OMB Bull. 97-01 as amended (Jan.7, 2000), p. 27)</i></p> <p><i>Managerial cost accounting is the process of accumulating, measuring, analyzing, interpreting, and reporting cost information useful to both internal and external groups concerned with the way in which the organization uses, accounts for, safeguards, and controls its resources to meet its objectives. (SFFAS 4, par. 42)</i></p> <p><i>A cost accounting "system" is a continual and systematic cost accounting process that may be designed to accumulate and assign costs to a variety of objects routinely or as desired by management. (SFFAS 4, par. 74)</i></p> <p><i>Cost finding is a method for determining the cost of producing goods or services using appropriate procedures, for example, special cost studies or analyses. (SFFAS 4, par. 76)</i></p>		
<p>1. Is the classification of suborganization and major programs for which costs are reported consistent with the entity's mission and outputs? (OMB Bull. 97-01 as amended (Jan.7, 2000), p. 27)</p>		
<p>2. Are net costs reported for the entity as a whole and for specific suborganizations and major programs? (OMB Bull. 97-01 as amended (Jan.7, 2000), p. 27)</p>		

Section IV Statement of Net Cost

Cost Accounting in General Overall Requirements (1 - 16)	Yes, No, or N/A	Explanation
<p>3. Does the Statement of Net Costs include a combined total column? (OMB Bull. 97-01 as amended (Jan.7, 2000), pp. 26 & 28)</p>		
<p>4. Does the combined total column include a note alerting readers that the combined statement of financing or equivalent schedules do not include intra-agency eliminations? (OMB Bull. 97-01 as amended (Jan.7, 2000), p. 28)</p>		
<p>5. Are the costs related to the production of goods and services provided to other programs reported separately from the costs of goods, services, transfers, and grants provided to the public? (OMB Bull. 97-01 as amended (Jan.7, 2000), p. 28)</p>		
<p>6. Are costs that cannot be directly traced, assigned on a cause-and-effect basis, or reasonably allocated to segments and their outputs and programs reported on the Statement of Net Cost as “Costs not assigned to programs?” (OMB 97-01, pp. 26 & 29; SFFAS 7 Imple. Guide, par. 32)</p>		
<p>7. Is earned revenue that is insignificant or cannot be attributed to particular outputs or programs reported separately as a deduction in arriving at the net cost of operations of the suborganization or reporting entity as a whole? (OMB 97-01 as amended (Jan.7, 2000), pp. 26 & 29)</p>		
<p>8. Does the reporting entity regularly accumulate and report the costs of its activities either by means of cost accounting systems or cost finding techniques? (SFFAS 4, par. 70)</p>		

Section IV Statement of Net Cost

Cost Accounting in General Overall Requirements (1 - 16)	Yes, No, or N/A	Explanation
<p>9. Has the entity established appropriate procedures and practices to enable the consistent and regular collection, measurement, accumulation, analysis, interpretation, and communication of cost information? (SFFAS 4, par. 68 & 70)</p>		
<p>10. Does the cost accounting data collected by the entity provide information needed to determine and report service efforts, accomplishments, and information required by the Government Performance and Results Act of 1993 (GPRA)? (SFFAS 4, par. 69)</p>		
<p>11. In general, does the reporting entity use a cost accounting system or cost finding technique that can perform at least a certain minimum level of cost accounting as well as provide basic cost information necessary to accomplish the objectives associated with planning, decision-making, control, and reporting? (SFFAS 4, par. 71)</p>		

Section IV Statement of Net Cost

<p>Cost Accounting in General Overall Requirements (1 - 16)</p>	<p>Yes, No, or N/A</p>	<p>Explanation</p>
<p>12. Specifically, does the reporting entity's cost accounting system or cost finding technique, at a minimum, do the following?</p> <ul style="list-style-type: none"> a. Collect cost information by responsibility segments, which have been identified by management. b. Define outputs for each responsibility segment. c. Measure the full cost (including the cost of goods or services provided by other entities) of outputs so that total operational costs and total unit costs of outputs can be determined. d. Use a costing methodology (e.g., activity-based, job order, and standard costing) that is appropriate for management's needs and the operating environment. e. Provide information needed to determine and report service efforts, accomplishments, and information necessary to meet the requirements of GPRA (or interface with a system that provides such information). f. Rely on the Standard General Ledger as a basis for integrating its cost information with its general financial accounting capability. g. Supply cost data precise enough to provide reliable and useful information to internal and external users in making evaluations or decisions. h. Accommodate management's special cost information needs. (SFFAS 4, par. 71) 		
<p>13. Are all cost accounting activities, processes, and procedures documented? (SFFAS 4, par. 71)</p>		

Section IV Statement of Net Cost

Cost Accounting in General Overall Requirements (1 - 16)	Yes, No, or N/A	Explanation
<p>14. In determining the appropriate detail for its cost accounting processes and procedures, has the reporting entity considered the following?</p> <ul style="list-style-type: none"> a. nature of its operations b. the precision desired and needed in cost information c. the practicality of data collection and processing d. the availability of electronic data-handling facilities e. the cost of installing, operating, and maintaining the cost accounting processes f. any specific information needs of management (SFFAS 4, par. 72) 		
<p>15. Has the entity used similar or compatible cost accounting processes throughout its component units? (SFFAS 4, par. 73)</p>		
<p>16. Does the entity provide appropriate variations of the Statement of Net Cost based on the types of programs that it carries out and OMB guidance? (SFFAS 7 Imple. Guide, par. 33; OMB Bull. 97-01 as amended (Jan.7, 2000), pp. 28 & 30)</p>		

Section IV Statement of Net Cost

Cost Accounting in General Responsibility Segments (17 – 21)	Yes, No, or N/A	Explanation
<p><i>A responsibility segment is a component of a reporting entity that is responsible for carrying out a mission, conducting a major line of activity, or producing one or a group of related products or services. (SFFAS 4, par. 78)</i></p>		
<p>17. Has the management of the reporting entity defined and established, as needed, responsibility segments to perform managerial cost accounting functions? (SFFAS 4, par. 77)</p>		
<p>18. Does management designate or establish responsibility segments based on the following?</p> <ul style="list-style-type: none"> a. the entity's organization structure b. its lines of responsibility and missions c. its output of goods and services d. budget accounts and funding authorities (SFFAS 4, par. 86) 		
<p>19. For each responsibility segment, can the entity do the following?</p> <ul style="list-style-type: none"> a. Define and accumulate outputs and, if feasible, quantify each type of output in units. b. Accumulate costs and quantitative units of resources consumed in producing the outputs. c. Assign costs to outputs and calculate the cost per unit of each type of output, if possible. d. Establish lower level cost centers, as needed. (SFFAS 4, par. 79 & 88) 		

Section IV Statement of Net Cost

Cost Accounting in General Responsibility Segments (17 - 21)	Yes, No, or N/A	Explanation
20. Does the reporting entity include supporting schedules in the Notes to the Financial Statements if the suborganization’s summary information provided in the Statement of Net Cost does not fully display the suborganization’s major programs and activities? (OMB Bull. 97-01 as amended (Jan.7, 2000), pp. 71 & 72)		
21. Does the reporting entity disclose gross cost and earned revenue ¹ , by budget functional classification? (OMB Bull. 97-01 as amended (Jan.7, 2000), p. 73)		

¹ Gross cost and earned revenue is net of intra-agency transactions (consolidated).

Section IV Statement of Net Cost

Cost Accounting in General Full Cost (22 - 30)	Yes, No, or N/A	Explanation
		<p><i>Full cost is the sum of all costs required by a cost object including the costs of activities performed by other entities regardless of funding sources. (SFFAS 4, app. B)</i></p> <p><i>Cost object (or cost objective) is an activity, output, or item whose cost is to be measured — or in a broad sense, an organizational division, function, task, product, service, or customer. (SFFAS 4, app. B)</i></p> <p><i>Direct costs are costs that can be specifically identified with an output. (SFFAS 4, par. 89)</i></p> <p><i>Indirect costs are costs of resources that are jointly or commonly used to produce two or more types of outputs but are not specifically identifiable with any of the outputs. (SFFAS 4, par. 91)</i></p> <p><i>Output is any product or service generated from the consumption of resources. (SFFAS 4, par. 89)</i></p>
<p>22. Does the reporting entity report include all direct costs in the full cost of outputs? (SFFAS 4, par. 89 & 90)</p>		
<p>23. Does the reporting entity also include the following?</p> <ul style="list-style-type: none"> a. indirect costs incurred within a responsibility segment b. the costs of support services that a responsibility segment receives from other segments and entities (SFFAS 4, par. 91, 122, & 123) 		

Section IV Statement of Net Cost

Cost Accounting in General Full Cost (22 - 30)	Yes, No, or N/A	Explanation
24. Are those general management and administrative support costs that cannot be traced, assigned, or allocated to responsibility segments and outputs identified and reported as costs not assigned to programs? (SFFAS 4, par. 92)		
25. Are the costs of employee benefits ² included as part of the cost of outputs? (SFFAS 4, par. 93 - 96)		
26. Are other postemployment benefits reported as expenses for the period during which a future outflow or other sacrifice of resources is probable and measurable on the basis of an event occurring on or before the accounting date? (SFFAS 4, par. 96 - 97)		
27. Are the costs of transfer payments for welfare, insurance, grants, and other public assistance programs and the costs of operating those programs separately identified? (SFFAS 4, par. 98 - 101; OMB Bull. 97-01 as amended (Jan.7, 2000), pp. 28 & 72)		
28. Are incurred depreciation expenses included in the full costs of outputs that the segment produces? (SFFAS 4, par. 102)		
29. Are the costs of acquiring or constructing national defense PP&E and heritage PP&E treated as a program cost or period expense but excluded from the full cost of outputs? (SFFAS 4, par. 103; SFFAS 11, par. 7)		

² These include insurance, pensions, and other retirement benefits but not other postemployment benefits.

Section IV Statement of Net Cost

Cost Accounting in General Full Cost (22 - 30)	Yes, No, or N/A	Explanation
30. Are other nonproduction costs, such as reorganization costs and nonrecurring clean-up costs resulting from facility abandonment, also excluded from the full cost of outputs and treated as current-period expenses? (SFFAS 4, par. 104)		

Section IV Statement of Net Cost

Cost Accounting in General Interentity Costs (31 - 36)	Yes, No, or NA	Explanation
<p><i>Within the federal government, some reporting entities rely on other federal entities to help them achieve their missions. Often, this involves providing goods or services, with or without reimbursement. The reporting entity generally must account for the full cost of goods or services provided to or received from other federal entities. (SFFAS 4, par. 105 - 106)</i></p>		
<p>31. Does the reporting entity include in its Statement of Net Cost the full costs of goods and services received from other federal entities? (SFFAS 4, par. 105)</p>		
<p>32. Does the entity providing goods or services to another reporting entity recognize in its accounting records, as well as disclose to the receiving entity, the full cost of goods and services provided? (SFFAS 4, par. 108; OMB Bull. 97-01 as amended (Jan. 7, 2000) , pp. 26 & 28)</p>		
<p>33. Is recognition of interentity costs that are not fully reimbursed limited to material items that have the following attributes?</p> <ul style="list-style-type: none"> a. are significant to the receiving entity b. form an integral or necessary part of the receiving entity's output c. can be identified or matched to the receiving entity with reasonable precision (SFFAS 4, par. 105 & 112) 		

Section IV Statement of Net Cost

<p>Cost Accounting in General Interentity Costs (31 - 36)</p>	<p>Yes, No, or NA</p>	<p>Explanation</p>
<p>34. Are the costs of broad, general support services provided by a federal entity to other federal entities excluded from the costs of the recipient entity unless such services are integral to the receiving entity (e.g., Treasury check-writing services provided for the Social Security Administration)? (SFFAS 4, par. 112)</p>		
<p>35. If the receiving entity can not get complete information on the full cost of goods or services provided by another reporting entity, does one of the following apply?</p> <ul style="list-style-type: none"> a. The receiving entity uses a reasonable estimate of the cost. b. If an estimate of the cost cannot be made, the estimated market value of the received goods or services is used. (SFFAS 4, par. 109) 		
<p>36. Are interentity and intra-entity expenses and financing sources eliminated for any consolidated financial statements covering both entities? (SFFAS 4, par. 109)</p>		

Section IV Statement of Net Cost

<p>Cost Accounting in General Costing Methodology (37 - 45)</p>	<p>Yes, No, or N/A</p>	<p>Explanation</p>
<p><i>Entities are not required to use a particular costing system or costing methodology, but the costing system or methodology used should be appropriate to the entity's operating environment and used consistently. Four examples of acceptable (but not necessarily mutually exclusive) costing methodologies are activity-based costing, job order costing, process costing, and standard costing. (SFFAS 4, par. 144 - 162)</i></p> <p><i>Cost accumulation is the process of collecting cost data in an organized way by responsibility segment. (SFFAS 4, par. 117)</i></p> <p><i>Cost assignment is a process that identifies accumulated costs with reporting periods and cost objects. Three methods of cost assignment are direct tracing, cause and effect, and allocation that is reasonable and consistent. (SFFAS 4, par. 120, 124 – 137, & app. E)</i></p> <p><i>Cost object or cost objective is an activity, output, or item the cost of which is to be measured. (SFFAS 4, par. 121 & app. E)</i></p>		
<p>37. Is the entity's accounting system capable of identifying costs with responsibility segments? (SFFAS 4, par. 118)</p>		
<p>38. Are costs related to the production of goods and services provided to other programs (governmental) reported separately from the costs of goods, services, transfers, and grants provided to the public? (OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 26 & 28)</p>		
<p>39. Are costs related to the production of outputs reported separately from costs that are not related to the production outputs (i.e., nonproduction costs)? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 26 & 28)</p>		

Section IV Statement of Net Cost

Cost Accounting in General Costing Methodology (37 - 45)	Yes, No, or N/A	Explanation
40. Are the costs of resources consumed by responsibility segments classified by type of resource, such as costs of employees, materials, capital, utilities, rent? (SFFAS 4, par. 119)		
41. Are data on the quantity of units (e.g., staff days, gallons of gasoline consumed) related to the various cost categories maintained, when appropriate and feasible? (SFFAS 4, par. 119)		
42. Are costs assigned to outputs using the methods in the following order of preference? <ul style="list-style-type: none"> a. directly tracing costs used in the production of an output, wherever feasible and economically practicable b. assigning costs on a cause-and-effect basis to, for example, cost pools c. allocating costs on a reasonable and consistent basis (SFFAS 4, par. 124) 		
43. For cost allocation purposes, do indirect costs assigned to a given cost pool have similar characteristics? (SFFAS 4, par. 136)		
44. Are common costs assigned to activities either on a cause-and-effect basis, if feasible, or through reasonable allocations? (SFFAS 4, par. 139, 140, 142, & 143)		
45. Are the full costing methodologies that are most appropriate to a segment's operating environment used and followed consistently, and if improvements or refinements are made, are they documented and explained? (SFFAS 4, par. 145 & 146)		

Section IV Statement of Net Cost

Revenues (46 - 69)	Yes, No, or N/A	Explanation
<p><i>Revenues are inflows of resources that the government demands, earns, or receives by donation. Revenue comes from two sources: exchange transactions and nonexchange transactions. (SFFAS 7, par. 30)</i></p> <p><i>Nonexchange revenues are inflows of resources that the government demands or receives by donation. Nonexchange revenues are primarily derived from the government’s power to demand payments from the public (e.g., taxes, duties, fines). (SFFAS 7, par. 30 & 48)</i></p> <p><i>Exchange revenues and gains are inflows of resources to a government entity that the entity has earned. They are earned when each party to the transaction sacrifices value and receives value in return. (SFFAS 7, par. 30, 33 & app. C)</i></p> <p><i>The gross cost of a program consists of the full cost of the outputs produced by a program plus any nonproduction costs that can be assigned to the program (nonproduction costs are costs linked to events other than the production of goods and services). (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 27)</i></p> <p><i>The net cost of operations consists of gross cost less related exchange revenues (or in this context, the cost of the entity to the taxpayer). (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 27)</i></p>		
<p>46. Are earned revenues deducted from the gross costs of suborganizations and programs if practical and possible and, if not, from the costs of the entity as a whole? (OMB Bull. 97-04 as amended (Jan. 7, 2000), p. 29)</p>		

Section IV Statement of Net Cost

Revenues (46 - 69)	Yes, No, or N/A	Explanation
<p>47. In its Statement of Net Costs, does the entity show the following?</p> <ul style="list-style-type: none"> a. the gross cost of providing goods or services that earned exchange revenue b. exchange revenue earned c. the resulting difference between a and b to determine net costs (SFFAS 7, par. 43 & 120 - 125; SFFAS 7 Imple. Guide, par. 7, 8 & 42 - 47; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 26 & 27, 5th par.) 		
<p>48. Does the entity also break out the gross costs of providing goods, services, benefit payments, or grants that did not earn exchange revenue? (SFFAS 7, par. 43 & 120; SFFAS 7 Imple. Guide, par. 32, 33, & 41; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 27)</p>		
<p>49. Is the net amount of gains (or losses) subtracted from (or added to) the gross cost to determine net cost? (SFFAS 7, par. 44)</p>		
<p>50. If exchange (or earned) revenue is immaterial or cannot be associated with a particular output or program, is it reported separately, as appropriate, as a deduction in arriving at net cost of the program, suborganization, or reporting entity as a whole? (SFFAS 7, par. 44, SFFAS 7 Imple. Guide, par. 45.6; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 29)</p>		
<p>51. Are nonexchange revenues and other financing sources excluded from calculating net cost? (SFFAS 7, par. 44)</p>		

Section IV Statement of Net Cost

Revenues (46 - 69)	Yes, No, or N/A	Explanation
<p>52. If the entity incurs virtually no cost in connection with earning exchange revenue, is such revenue not recognized in the Statement of Net Cost, but shown as a financing source on the Statement of Changes in Net Position or (if appropriate) Statement of Custodial Activity? (SFFAS 7, par. 45.A & 140 – 146; SFFAS 7 Imple. Guide, par. 50 - 58)</p>		
<p>53. If the collecting entity transfers exchange revenue to a second entity, does the second entity follow similar revenue recognition (i.e., match revenues against actual costs unless no costs are incurred)? (SFFAS 7, par. 45.B)</p>		
<p>54. Is the full amount of exchange revenues reported regardless of whether the entity is permitted to retain the revenues? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 29, 1st par.)</p>		

Section IV Statement of Net Cost

Revenues (46 - 69)	Yes, No, or N/A	Explanation
<p>55. Does a reporting entity that provides goods or services to the public or other government entity disclose the following in a note or narrative?</p> <ul style="list-style-type: none"> a. a pricing policy that differs from the full cost or market pricing guidance set forth in OMB Circular No. A-25 and the possible effect on demand and revenue if prices were raised to reflect the market or full cost b. prices set by law or executive order that are not based on full cost or market price and the possible effect on demand and revenue if prices were raised to reflect the market or full cost c. the nature of intragovernmental exchange transactions in which goods or services are provided free or at less than full cost and the reasons for disparities between billing and full cost d. the full amount of any expected loss when specific goods or services are provided or made to order under a contract and a loss is both probable and measurable (SFFAS 7, par. 46, 47, & 163 - 167) 		
<p>56. Is custodial collected nonexchange revenue, that is legally retained by the collecting entity as reimbursement for the cost of collection, recognized as exchange revenue in determining the collecting entity's net cost of operations? (SFFAS 7, par. 60.3)</p>		

Section IV Statement of Net Cost

Revenues (46 - 69)	Yes, No, or N/A	Explanation
<p>57. Is revenue received from the public or other government entity in return for providing goods or services recognized and reported in the Statement of Net Cost as earned or exchange revenue? (SFFAS 7, par. 34, 35, 36 (a) & (c), 270, & 271; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 29)</p>		
<p>58. Is exchange revenue broken out by major category and linked, where possible, to the net costs of related outputs, programs, organizations, or suborganizations in the Statement of Net Cost? (SFFAS 7, par. 43; SFFAS 7 Imple. Guide, par. 42 – 47; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 29)</p>		
<p>59. If an exchange transaction is likely to be unusual or nonrecurring for a particular entity, is a gain or loss recognized rather than a revenue or expense? (SFFAS 7, par. 35, 133, 238, 329 & 330)</p>		
<p>60. If specific goods or services are made to order under terms of a contract, is exchange revenue (and any probable loss or gain) recognized in proportion to costs of goods and services acquired to fulfill the contract? (SFFAS 7, par. 36(b))</p>		
<p>61. When goods are kept in inventory so that they are available to customers when ordered, is exchange revenue recognized when the goods are delivered to the customer? (SFFAS 7, par. 36(c))</p>		
<p>62. If services are rendered continually or the right to use an asset extends continually over time, is exchange revenue recognized in proportion to the passage of time or the use of the asset? (SFFAS 7, par. 36(d))</p>		

Section IV Statement of Net Cost

Revenues (46 - 69)	Yes, No, or N/A	Explanation
63. Is interest received on intragovernmental loans recognized as exchange revenue if the source of borrowed funds is predominately exchange revenue? (SFFAS 7, par. 36(d) & 154 - 161)		
64. When an asset other than inventory is sold, is any gain (or loss) recognized when the asset is delivered to the purchaser? (SFFAS 7, par. 36(e))		
65. When advance fees or payments are received, such as for large-scale, long-term projects, is revenue recognized only as the cost of providing the corresponding goods and services? (SFFAS 7, par. 37 & 113 - 119)		
66. Is the measurement for revenue from exchange transactions based on the actual price received or receivable under established pricing arrangements? (SFFAS 7, par. 38)		
67. If the realization of the full amount of exchange revenue is not probable due to credit losses, is an expense recognized and is the allowance for bad debts increased? (SFFAS 7, par. 40)		
68. If recognized exchange revenue is not likely to be realized for reasons apart from credit losses (e.g., returns and allowances), is the probable amount recognized as a revenue adjustment? (SFFAS 7, par. 41 & 129)		
69. Is exchange revenue recognized regardless of whether the entity retains the revenue for its own use or transfers it to other entities? (SFFAS 7, par. 43)		

Section IV Statement of Net Cost

Costs Pensions and Other Retirement and Postemployment Benefits (70 – 94)	Yes, No, or N/A	Explanation
<p><i>Pension benefits include all retirement, disability, and survivor benefits financed through a pension plan, including unfunded pension plans. Required federal payments to social insurance plans (i.e., Social Security and Medicare) and matching federal payments to defined contribution pension plans are also considered to be plan expenses. (SFFAS 5, par. 61)</i></p> <p><i>Costs of pensions and other retirement benefits (ORB), whether they are paid for in part or in total by other governmental entities, are included in the costs of program outputs. (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 28)</i></p> <p><i>Recognition of other postemployment benefits (OPEB) is linked to the occurrence of an OPEB event rather than the production of an output. OPEB costs are generally treated as period expenses. Special-purpose cost studies may distribute OPEB costs over a number of prior years to determine the cost of outputs OPEB recipients helped produce. (SFFAS 4, par. 96 & 97)</i></p> <p><i>In accounting for pensions, (ORB), and OPEB, the “administrative entity” typically manages and accounts for the related assets and liabilities. The “employer entity” accounts for the related costs of pensions, ORB and OPEB. For these costs the employer entity receives a salary and expense appropriation, imputes a financing source, or both. (SFFAS 5, par. 57, footnote 38, & par. 78 & 93)</i></p> <p><i>The “aggregate entry age normal” actuarial cost method is one under which the expenses or liabilities arising from the actuarial present value of projected pension benefits is allocated on a level basis over the earnings or the service of the group between entry age and assumed exit ages. The portion of the actuarial present value of pension plan and benefits and expenses that is allocated to a valuation year is called “normal cost” (SFFAS 5, par. 64 & app. E)</i></p>		
<p>70. Are pensions and ORB recognized as expenses at the time of employment? (SFFAS 5, par. 59)</p>		

Section IV Statement of Net Cost

Costs Pensions and Other Retirement and Postemployment Benefits (70 – 94)	Yes, No, or N/A	Explanation
71. Is the "aggregate entry age normal" actuarial cost method (or other actuarial cost method, if the results are not materially different and an explanation is provided) used to calculate pension expense, the liability for the administrative entity financial statements, and the expense for the employer entity financial statements? (SFFAS 5, par. 64)		
72. When using the "aggregate entry age normal" actuarial cost method, does the entity allocate pension expenses on the basis of a level percentage of earnings? (SFFAS 5, par. 64)		
73. Does the administrative entity base its actuarial assumptions for pension plans on the experience of the covered groups, long-term trends, and guidance of the American Academy of Actuaries? (SFFAS 5, par. 65)		
74. Does the administrative entity base its interest rate assumptions on the estimated long-term investment yield for a pension plan or, if the plan is not being funded, on some other appropriate long-term assumption (e.g., the federal long-term borrowing rate)? (SFFAS 5, par. 66)		
75. Does the administrative entity disclose the assumptions used to calculate pension benefit expenses? (SFFAS 5, par. 67)		
76. When a new pension plan is initiated or current one amended, does the administrative entity immediately recognize all past service costs or gains as well as all actuarial gains and losses, without amortization? (SFFAS 5, par. 69 & 70)		

Section IV Statement of Net Cost

Costs Pensions and Other Retirement and Postemployment Benefits (70 – 94)	Yes, No, or N/A	Explanation
<p><i>Normal cost or service cost is the actuarial present value of benefits attributed by the pension plan’s benefit formula to services rendered by employees during an accounting period. (SFFAS 5, par. 74, footnote 45)</i></p>		
<p>77. Does the administrative entity disclose the following components of reported pension benefit expenses?</p> <ul style="list-style-type: none"> a. normal cost b. interest on pension liability during the period c. prior service cost from plan amendments (or the initiation of a new plan) during the period, if any d. actuarial gains or losses during the period, if any (SFFAS 5, par. 71 & 72; OMB Bull. 97-01 as amended (Jan. 7, 2000), note 13, p. 70) 		
<p>78. Does the administrative entity report pension plan revenue for the sum of contributions from the following entities?</p> <ul style="list-style-type: none"> a. the employer b. its employees c. financing from the general fund to cover prior service or other costs for which contributions were not provided by the employer or employee d. interest on the plan's investments (SFFAS 5, par. 73 & 78) 		
<p>79. In the financial report, does the employer entity recognize a pension expense report that equals the service cost for its employees for the accounting period, less the amount contributed by the employees, if any? (SFFAS 5, par. 74, 77, & 78)</p>		

Section IV Statement of Net Cost

Costs Pensions and Other Retirement and Postemployment Benefits (70 – 94)	Yes, No, or N/A	Explanation
<p>80. Is the employer entity's pension expense balanced by either of the following?</p> <ul style="list-style-type: none"> a. a decrease to its “fund balance with Treasury” for the amount of its contribution to the pension plan, if any b. an increase to an account representing an intragovernmental imputed financing source (e.g., "imputed financing - expenses paid by other agencies") (SFFAS 5, par. 75) 		
<p>81. If the employer entity is also the administrative entity, does it also report the liability³ and recognize the expense for all components of the pension plan's cost? (SFFAS 5, par. 71 & 76)</p>		
<p><i>ORB includes all retirement benefits other than pension benefits. The predominant ORB in the federal government is retirement health benefits. (SFFAS 5, par. 58 & 79)</i></p>		
<p>82. Is the "aggregate entry age normal" actuarial cost method (or other actuarial cost method, if the results are not materially different and an explanation is provided) used to calculate the ORB expense and liability for the administrative entity financial statements and the expense for the employer entity financial statements? (SFFAS 5, par. 82 & 88)</p>		
<p>83. Are expenses and other liabilities attributable to ORB expenses allocated based on the service rendered by each employee? (SFFAS 5, par. 82 & 83)</p>		

³ This is the actuarial present value of all future benefits, based on projected salaries and total projected service, less the actuarial present value of future normal cost contributions that would be made for and by the employees under the plan.

Section IV Statement of Net Cost

Costs Pensions and Other Retirement and Postemployment Benefits (70 – 94)	Yes, No, or N/A	Explanation
<p>84. Do the amounts calculated for financial reports prepared for ORB plans reflect the following?</p> <ul style="list-style-type: none"> a. general actuarial and economic assumptions that are consistent with those used for pensions b. a health care cost trend assumption that is consistent with Medicare projections or other authoritative sources appropriate for the population covered by the plan (SFFAS 5, par. 83) 		
<p>85. Does the administrative entity discount the projected ORB costs at the rate of expected return of plan assets, if the plan is being funded, or on some other long-term assumptions (e.g., the long-term federal government borrowing rate) for unfunded plans? (SFFAS 5, par. 84)</p>		
<p>86. Does the administrative entity disclose the assumptions used to calculate projected ORB costs? (SFFAS 5, par. 83)</p>		
<p>87. Is the accrual period for ORB based on the expected retirement age rather than the age when the employee becomes eligible for pension benefits? (SFFAS 5, par. 84)</p>		
<p>88. When a new ORB plan is initiated or current one amended, does the administrative entity immediately recognize all past and prior service costs or gains as well as all actuarial gains and losses, without amortization? (SFFAS 5, par. 86 & 87)</p>		

Section IV Statement of Net Cost

Costs Pensions and Other Retirement and Postemployment Benefits (70 – 94)	Yes, No, or N/A	Explanation
<p>89. Does the administrative entity disclose the following components of reported ORB (e.g., health insurance) expenses?</p> <ul style="list-style-type: none"> a. normal cost b. interest on the ORB liability during the period c. prior (and past) service cost from plan amendments (or the initiation of a new plan) during the period, if any d. any gains/losses due to a change in the medical inflation rate assumption e. other actuarial gains or losses during the period, if any (SFFAS 5, par. 88; OMB Bull. 97-01 as amended (Jan. 7, 2000), note 13, p. 70) 		
<p>90. Does the administrative entity report ORB revenue for the sum of contributions from the employer entity and its employees? (SFFAS 5, par. 89)</p>		
<p>91. Does the employer entity recognize ORB expenses on a per employee basis in its financial report as the net of normal cost and employee contributions? (SFFAS 5, par. 90 & 93)</p>		
<p>92. If the employer entity is also the administrative entity, does it also report the liability⁴ and recognize the expense for all components of the pension plan's cost? (SFFAS 5, par. 88 & 92)</p>		

⁴ This is the actuarial present value of all future benefits less the actuarial present value of future normal cost contributions that would be made for and by the employees under the plan.

Section IV Statement of Net Cost

Costs Pensions and Other Retirement and Postemployment Benefits (70 – 94)	Yes, No, or N/A	Explanation
<p><i>OPEB are provided to former or inactive employees, beneficiaries, and covered dependents outside pension or ORB plans. Postemployment benefits can include salary continuation, severance benefits, counseling and training, continuation of health care or other benefits, unemployment workers' compensation, and veterans' disability compensation benefits paid by the employer. (SFFAS 4, par. 96; SFFAS 5, par. 57)</i></p>		
<p>93. Are OPEB expenses recognized as an expense at the time the benefit is provided? (SFFAS 5, par. 59)</p>		
<p>94. Does the employer recognize an expense and a liability for OPEB - such as severance pay, training, and health care - when a future outflow or other sacrifice of resources is probable (i.e., more likely than not) and measurable? (SFFAS 5, par. 94 & 95)</p>		

Section IV Statement of Net Cost

Costs Inventory, Material, Supplies, and Commodities (95 - 103)	Yes, No, or N/A	Explanation
<p>95. Upon sale or use, is the cost of inventory expensed and removed from the inventory asset account? (SFFAS 3, par. 19)</p>		
<p>96. To arrive at the historical cost of ending inventory and cost of goods sold, is one of the following cost flow assumptions used?</p> <ul style="list-style-type: none"> a. first-in, first-out b. weighted average c. moving average d. any other valuation method (such as a standard cost system) whose results reasonably approximate a, b, or c (SFFAS 3, par. 22) 		
<p>97. Are operating materials and supplies expensed using the consumption method (i.e., reported as an operating expense as they are issued to the end user for current operations)? (SFFAS 3, par. 38 & 39)</p>		

Section IV Statement of Net Cost

Costs Inventory, Material, Supplies, and Commodities (95 – 103)	Yes, No, or N/A	Explanation
<p>98. Are operating materials and supplies expensed upon purchase if they meet one of the following attributes?</p> <ul style="list-style-type: none"> a. they are of insignificant amounts b. they are in the hands of the end user for use in normal operations c. it is cost effective to immediately expense rather than to capitalize (i.e., apply the purchase method rather than the consumption method of accounting) (SFFAS 3, par. 40 & 41) 		
<p>99. Are inventory and operating materials acquired through a nonmonetary exchange valued at the fair value of the items received at the time of the exchange, and is the difference between the fair value of the acquired items and the recorded amount surrendered reported as a gain or loss? (SFFAS 3, par. 21 & 43)</p>		
<p>100. Are abnormal costs associated with inventory and operating materials and supplies, such as excessive handling or rework costs, charged to operations of the period? (SFFAS 3, par. 21 & 43)</p>		
<p>101. Are any unrealized gains or losses, which are reflected in periodic inventory or operating materials and supplies revaluations, captured in a designated allowance account? (SFFAS 3, par. 17, 23 & 24)</p>		

Section IV Statement of Net Cost

Costs Inventory, Material, Supplies, and Commodities (95 – 103)	Yes, No, or N/A	Explanation
102. Is the cost of stockpile materials removed from the corresponding asset account and reported as an operating expense when issued for use or sale? (SFFAS 3, par. 52)		
103. Are abnormal costs of stockpile materials, such as excessive handling and rework costs, expensed in current operations? (SFFAS 3, par. 53)		

Section IV Statement of Net Cost

Costs Property, Plant, and Equipment (104 - 118)	Yes, No, or N/A	Explanation
		<p><i>A common expense related to PP&E that is included in the Statement of Net Cost is depreciation. Other current expenses related to PP&E are all costs of acquiring and maintaining federal mission and heritage PP&E and stewardship land. (SFFAS 6, par. 35, 53, 61, & 69)</i></p> <p><i>Depreciation expense is calculated through systematic and rational allocation of the cost of general PP&E, less its estimated salvage or residual value, over its estimated useful life. (GAO/AIMD-21.1.1 SFFAS 6, par. 35)</i></p>
<p>104. Is depreciation of general PP&E recognized as an expense of the period? (SFFAS 6, par. 35)</p>		
<p>105. If historical cost information has not been maintained for existing general PP&E, does the entity depreciate or amortize the estimated residual values over its remaining useful life in a systematic and rational manner? (SFFAS 6, par. 35, 40, & 41)</p>		
<p>106. In an exchange transaction with a nonfederal entity, is the difference between the book value (i.e., cost less accumulated depreciation) of general PP&E surrendered and the cost of PP&E acquired recognized as either a gain or a loss? (SFFAS 6, par. 32)</p>		
<p>107. In the event that cash consideration is included in the exchange, is the cost of general PP&E either increased by the amount of cash consideration surrendered or decreased by the amount of cash consideration received? (SFFAS 6, par. 32)</p>		

Section IV Statement of Net Cost

Costs Property, Plant, and Equipment (104 - 118)	Yes, No, or N/A	Explanation
<p>108. Is the expected net realizable value of a general PP&E asset that has been prematurely removed from service adjusted at the end of each accounting period, and is any adjustment made recognized as either a gain or loss? (SFFAS 6, par. 39)</p>		
<p>109. When assets have been removed from general PP&E in anticipation of disposal, retirement, or removal from service, has the entity stopped recording depreciation and amortization expenses for such assets? (SFFAS 6, par. 38)</p>		
<p>110. Is the cost of acquiring, constructing, improving, reconstructing, or renovating — as well as the cost incurred to bring national defense PP&E to its current condition and location — recognized as an expense on the Statement of Net Cost when incurred, and is this disclosed in the notes as a “cost of national defense PP&E?” (SFFAS 6, par. 53 & SFFAS 8, par. 65-67, & 119; SFFAS 11, par. 7 & 16; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 28 & 73, 1st par.)</p>		
<p>111. Are costs to acquire, improve, reconstruct, or renovate heritage assets, other than multiuse heritage assets, recognized on the Statement of Net Cost for the period in which the costs are incurred? (SFFAS 16, par. 8; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 28 & 73)</p>		
<p>112. Do the recognized costs of heritage assets also include all costs incurred during the period to bring the items to their current condition? (SFFAS 16, par. 8)</p>		

Section IV Statement of Net Cost

Costs Property, Plant, and Equipment (104 – 118)	Yes, No, or N/A	Explanation
113. If the fair value of donated or bequeathed heritage assets is not known or reasonably estimable, is information as to the type and quantity of assets received disclosed? (SFFAS 16, par. 10; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 73, 2 nd par.)		
114. Are costs to acquire, as well as costs incurred to bring the stewardship land to its current condition or intended use, recognized as a cost of the period incurred and disclosed as “Cost of Stewardship Land?” (SFFAS 6, par. 69 & 73; SFFAS 8, par. 77 & 119; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 29, 4 th par. & 73, 1 st par.)		
115. Is the fair value, if known and material, of stewardship land acquired through donation or devise disclosed in notes to the Statement of Net Cost? (SFFAS 6, par. 71; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 73, 2 nd par.)		
116. If the fair value of donated or willed stewardship land is not estimable, is information as to the type and quantity of assets received disclosed in notes to the Statement of Net Cost, if material? (SFFAS 6, par. 71; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 73, 2 nd par.)		
117. If land included in general PP&E is transferred to another federal entity to be used as stewardship land, is the cost to the receiving entity of the transferred land recognized at the book value on the transferring entity’s books? (SFFAS 6, par. 72)		
118. If the receiving entity does not know the book value of the transferred land, is the transfer disclosed in the notes to the Statement of Net Cost, if material? (SFFAS 6, par. 72)		

Section IV Statement of Net Cost

Costs Clean-up Costs (119 – 127)	Yes, No, or N/A	Explanation
		<p><i>Clean-up costs are the costs of removing, containing, or disposing of (1) hazardous waste from property or (2) material or property that consists of hazardous waste upon permanent or temporary closure or shutdown of associated PP&E. Clean-up costs may include, but are not limited to, decontamination, decommissioning, site restoration, site monitoring, closure, and postclosure costs (SFFAS 6, par. 85 & 87)</i></p>
<p>119. When general PP&E is placed into service, does the entity estimate the associated clean-up costs? (SFFAS 6, par. 94)</p>		
<p>120. In estimating clean-up costs and liability, has the entity considered the following?</p> <ul style="list-style-type: none"> a. the level of restoration to be performed b. current legal and regulatory requirements c. current technology d. current costs (i.e., the costs of acquiring during the current period all goods and services included in the clean-up estimate) (SFFAS 6, par. 95) 		
<p>121. Are estimated clean-up costs periodically revised to account for material changes due to inflation or deflation and changes in regulations, plans, or technology? (SFFAS 6, par. 96 & 189)</p>		

Section IV Statement of Net Cost

Costs Clean-up Costs (119 – 127)	Yes, No, or N/A	Explanation
<p>122. When general PP&E is placed into service, does the entity do the following?</p> <ul style="list-style-type: none"> a. estimate and disclose total clean-up costs b. apportion clean-up costs over the useful life of the asset in a rational and systematic manner, based on the physical capacity of the PP&E or, if physical capacity is not useful or estimable, on the estimated useful life c. begin expensing and accumulating a liability on a pro rata basis for unfunded clean-up expenses (SFFAS 6, par. 97-98, 186, 188, & 234-239) 		
<p>123. If clean-up costs are reestimated, are the cumulative changes related to current and past operations of general PP&E immediately recognized as an expense and is the corresponding liability adjusted? (SFFAS 6, par. 99 & 190)</p>		
<p>124. When stewardship PP&E is placed into service, does the entity expense the total estimated clean-up costs and establish a liability in the period the asset is placed into service? (SFFAS 6, par. 101)</p>		
<p>125. If clean-up costs for stewardship PP&E are reestimated, are any adjustments to the liability associated with clean-up costs expensed in the period of the change in estimate? (SFFAS 6, par. 102)</p>		
<p>126. Are payments for clean-up costs for stewardship PP&E recognized as a reduction in the liability for clean-up costs? (SFFAS 6, par. 103)</p>		

Section IV Statement of Net Cost

Costs Clean-up Costs (119 – 127)	Yes, No, or N/A	Explanation
<p>127. Does the entity disclose the following?</p> <ul style="list-style-type: none"> a. the applicable laws and regulations covering clean-up requirements b. the method for assigning estimated total clean-up costs to current operating periods (e.g., physical capacity versus passage of time) c. the unrecognized portion of estimated total clean-up costs for clean-up costs associated with general PP&E d. material changes in total estimated clean-up costs due to changes in laws, technology, or plans, as well as the portion of the change in clean-up cost estimates that relate to prior-period operations e. the nature of estimates and information regarding possible changes due to inflation, deflation, technology, or applicable laws and regulations (SFFAS 6, par. 107 – 111: OMB Bull. 97-01 as amended (Jan. 7, 2000), p . 71, note 17) 		

Section IV Statement of Net Cost

Costs Interest (128 -129)	Yes, No, or N/A	Explanation
<p><i>Interest costs are generally related to securities and other debt instruments issued by the U.S. Treasury or other federal agencies. (SFFAS 5, par. 47 - 48)</i></p>		
<p>128. Does the related interest cost of federal debt include the following?</p> <ul style="list-style-type: none"> a. the accrued (prorated) share of the nominal interest incurred during the accounting period b. the amortized discounts or premiums for each accounting period for fixed value securities c. the amount of change in the current value for the accounting period for variable value securities (SFFAS 5, par. 53) 		
<p>129. If securities are retired before maturity, is the difference between the reacquisition price and net carrying value recognized as a gain or loss? (SFFAS 5, par. 54)</p>		

Section IV Statement of Net Cost

Costs Insurance and Subsidies (130 -133)	Yes, No, or N/A	Explanation
<p><i>Federal insurance and guarantee programs are established to subsidize providing insurance to achieve social objectives or assume risks that private sector entities are unwilling or unable to assume. For life insurance, a premium deficiency occurs if the liability for future policy benefits using current conditions exceeds the liability for future policy benefits using contract conditions. (SFFAS 5, par. 97, 102, & 120)</i></p>		
<p>130. If an insured event has occurred as of the financial statement reporting date, has the federal entity recognized an expense and, if the claim has not been paid, a liability? (SFFAS 5, par. 104 & 109)</p>		
<p>131. Are changes in estimates of claims resulting from: (1) the present value calculations, (2) the continual review process, and (3) differences between the estimates and actual payments for claims, recognized as charges against operations of the period in which the estimates are changed or payments are made? (SFFAS 5, par. 109)</p>		
<p>132. If the liability for future [life insurance] policy benefits using current conditions exceeds the liability for future policy benefits under contract conditions (resulting in a premium deficiency), is the difference recognized as a change to operations in the current period? (SFFAS 5, par. 120)</p>		
<p>133. Does the entity recognize an expense for social insurance benefits paid during the reporting period plus any increase (or less any decrease) in the liability for social insurance from the end of the prior-period to the end of the current period? (SFFAS 17, par. 22 & 59)</p>		

Section IV Statement of Net Cost

Costs Credit Programs (134 - 182)	Yes, No, or N/A	Explanation
<p><i>In accordance with the Credit Reform Act of 1990, a subsidy expense is recognized for direct or guaranteed loans disbursed during the fiscal year. The amount of the subsidy expense equals the present value of estimated cash outflows over the life of the loans minus the present value of the estimated cash inflows. The discount rate used to calculate the present value is the average interest rate on marketable Treasury securities of similar maturity to the cash flows of the direct loan or loan guarantee for which the estimate is being made (SFFAS 2, par. 6, 7, 24, 30 & 31; SFFAS 19, par. 6, 7 (a) & (b))</i></p>		
<p>134. Are the following true of the present values of estimated net cash outflows resulting from the post-1991 direct or loan guarantee programs?</p> <ul style="list-style-type: none"> a. They are discounted at the interest rate of marketable Treasury securities with similar maturities. b. They are recognized as expenses in the year the loan is disbursed. (SFFAS 2, par. 24 & app. B, part I A; SFFAS 19, par 6) 		
<p>135. Are the following components of estimated subsidy costs (and offsetting receipts) of post-1991 loans and guarantees separately recognized and disclosed?</p> <ul style="list-style-type: none"> a. the interest subsidy costs⁵ b. default costs⁶ c. the present value of fees and other collections c. other subsidy costs (SFFAS 2, par. 25 – 29, & app. B, part I A & III A; OMB Bull. 97-01 as amended (Jan. 7, 2000), items H & I, pp. 53, 54, 57, & 58) 		

⁵ The interest subsidy cost of direct loans is the excess of the amount of the loans disbursed over the present value of the interest and principal payments required by loan contracts discounted at the applicable Treasury rate; for loan guarantees it is the present value of estimated interest supplement payments.

Section IV Statement of Net Cost

Costs Credit Programs (134 - 182)	Yes, No, or N/A	Explanation
136. Is the subsidy cost allowance for post-1991 direct loans amortized using the interest method? ⁷ (SFFAS 2, par. 30, app. B, part I B(2); SFFAS 19, par. 7(a))		
137. If the effective interest for post-1991 direct loans is less than the nominal interest, is the subsidy cost allowance increased by the difference and recognized as a reduction in interest income? (SFFAS 2, par. 30 & app. B, part I B(2); SFFAS 19, par. 7(a))		
138. If the effective interest for post-1991 direct loans is greater than the nominal interest, is the subsidy cost allowance decreased by the difference and recognized as an increase in interest income? (SFFAS 2, par. 30 & app. B, part I B(2); SFFAS 19, par. 7(a))		
139. Is interest accrued and compounded on the liabilities of post-1991 loan guarantees at the interest rate that was originally used to calculate the present value of the loan guarantee liabilities when the guaranteed loans were disbursed? (SFFAS 2, par. 31 & app. B, part III B(2))		
140. Is the interest accrued and compounded on the liabilities of post-1991 direct loan guarantees recognized as an interest expense? (SFFAS 2, par. 31 & app. B, part III B(2))		

⁶ The default cost of direct loans or loan guarantees is measured at the present value of projected payment delinquencies and omissions minus projected net recoveries.

⁷ Under the interest method, the amortized amount is the difference between the nominal interest (face amount of loan times stated interest) and effective interest (present value of loan times discount rate). The effective interest rate is the average interest rate of marketable Treasury securities with similar maturity that was used to calculate the present value of the direct loans when the direct loans were disbursed, after adjusting for the interest rate reestimate. (SFFAS 2, app. C glossary; SFFAS 19, par. 7(a)).

Section IV Statement of Net Cost

<p>Costs Credit Programs (134 - 182)</p>	<p>Yes, No, or N/A</p>	<p>Explanation</p>
<p><i>Two kinds of reestimates for the subsidy cost allowance for outstanding direct loans and the liability for outstanding loan guarantees are (1) interest rate reestimates and (2) technical/default reestimates. An interest rate reestimate results from changing the interest rates from those that were assumed in budget preparation and used in calculating the subsidy expense to the interest rates that are prevailing during the periods in which the direct or guaranteed loans are disbursed. A technical/default reestimate results from changes in projected cash flows of outstanding direct loans and loan guarantees after reevaluating the underlying assumptions and other factors (except for interest rate reestimates) that affect cash flow projections as of the financial statement date. (SFFAS 18, par. 9)</i></p> <p><i>Cohort, as it is used here, is a budget term that refers to all direct loans or loan guarantees of a program for which a subsidy appropriation is provided for a given fiscal year, even if disbursements occur in subsequent years. For direct loans and loan guarantees for which a subsidy appropriation is provided for one fiscal year, the cohort will be defined for that fiscal year. For direct loans and loan guarantees for which multiple year or no-year appropriations are provided, the cohort is defined by the year of obligation. (SFFAS 18, glossary)</i></p>		
<p>141. Does the entity measure and disclose reestimates of allowances for subsidy costs of post-1991 loans and liabilities for guarantees in two components separately, specifically: the interest rate reestimate and the technical/default reestimate? (SFFAS 18, par. 9)</p>		
<p>142. Is any increase (or decrease) in the subsidy cost allowance of post-1991 direct loans or loan guarantee liabilities resulting from the reestimates recognized as a subsidy expense (or a reduction in subsidy expense)? (SFFAS 2, par. 32 & app. B, parts I B(1) & III B(I); SFFAS 18, par. 9; OMB Bull. 97-01 OMB Bull. 97-01 as amended (Jan. 7, 2000), item H.2, pp. 52 & 57 & item I.2, pp. 54 & 58)</p>		

Section IV Statement of Net Cost

Costs Credit Programs (134 - 182)	Yes, No, or N/A	Explanation
<p>143. If the assumed interest rates used in calculating the subsidy expenses for cohorts from which direct or guaranteed loans are disbursed differs from the rates prevailing at the time of the loan disbursement, is an interest rate reestimate for those cohorts made as of the date of the financial statements? (SFFAS 18, par. 9 (A))</p>		
<p>144. Do technical/default reestimates take into consideration all factors that may have affected various components of projected cash flows, including defaults, delinquencies, recoveries, and prepayments? (SFFAS 18, par. 9 (B))</p>		
<p>145. Are technical/default reestimates for each cohort made each year as of the date of the financial statements? (SFFAS 18, par. 9 (B))</p>		
<p>146. In a note to the financial statement, does the entity display reconciliation between the beginning and ending balances of the following?</p> <ul style="list-style-type: none"> a. the subsidy cost allowances for outstanding direct loans b. the liability for outstanding loan guarantees reported in the entity's balance sheet (SFFAS 18, par. 10, 18 – 30, & app. B) 		

Section IV Statement of Net Cost

Costs Credit Programs (134 - 182)	Yes, No, or N/A	Explanation
<p>147. Does the reconciliation of beginning and ending subsidy cost allowances and loan guarantee liability balances include changes in the following?</p> <ul style="list-style-type: none"> a. interest subsidy costs, default costs, fees and other collections, and other subsidy costs b. interest rate and technical/default restimates c. other adjustments (SFFAS 2, par. 25 – 29; SFFAS 18, par. 10 & app. B) 		
<p>148. For direct loans, do other adjustments include loan modifications, fees received, loans written off, foreclosed property or other recoveries acquired, and subsidy allowance amortization? (SFFAS 18, par. 10 & app. B, schedule A)</p>		
<p>149. For loan guarantees, do other adjustments include loan guarantee modifications, fees received, interest supplements paid, claim payments made to lenders, foreclosed property or other recoveries acquired, and interest accumulated on the loan guarantee liability? (SFFAS 18, par. 10 & app. B, schedule B)</p>		

Section IV Statement of Net Cost

Costs Credit Programs (134 – 182)	Yes, No, or N/A	Explanation
<p>150. In its notes to the financial statements, does the entity include a description of the characteristics of the program it administers, including the following?</p> <ul style="list-style-type: none"> a. the total amount of direct or guaranteed loans disbursed for the current and preceding reporting years b. interest subsidy costs, default costs, fees and other collections, and other subsidy costs c. interest rate and technical/default restimates (SFFAS 2, par. 25 – 29; SFFAS 18, par. 10 & 11 (A)) 		
<p>151. Does the reporting entity disclose, at the program level, the subsidy rates⁸ for the following?</p> <ul style="list-style-type: none"> a. interest subsidy costs b. default costs (net of recoveries) c. fees and other collections d. other costs estimated for direct loans and loan guarantees in the current year’s budget for the current year’s cohorts (SFFAS 18, par. 11 (B), 31 & 33 – 38) 		
<p>152. If the entity uses trend data to display significant fluctuations in subsidy rates, are these data accompanied by an analysis that explains the underlying causes for the fluctuations? (SFFAS 18, par. 11 (B) & 32)</p>		

⁸ The subsidy rate is the dollar amount of the subsidy component as a percentage of the direct loans or loan guarantees obligated in the cohort.

Section IV Statement of Net Cost

Costs Credit Programs (134 - 182)	Yes, No, or N/A	Explanation
<p>153. Does the reporting entity disclose, discuss, and explain events and changes in economic conditions, other risk factors, legislation, credit policies, and subsidy estimation methodologies and assumptions that have had a significant and measurable effect on subsidy rates, subsidy expenses, and subsidy reestimates? (SFFAS 18, par. 11 (C), 39, 41, & 43 - 49)</p>		
<p>154. Do changes in legislation or credit policies include, for example, changes in borrowers' eligibility, the levels of fees or interest rates charged to borrowers, the maturity of loan terms, and the percentage of a private loan that is guaranteed? (SFFAS 18, par. 11 (C) & 42)</p>		
<p>155. Does the disclosure and discussion also include events and changes that have occurred and are more likely than not to have a significant impact, but whose effects are not measurable at the reporting date? (SFFAS 18, par. 11 (C) & 41)</p>		
<p>156. Are default costs estimated and periodically reestimated for each post-1991 loan and loan guarantee program on the basis of separate cohorts and risk categories? (SFFAS 2, par. 33)</p>		

Section IV Statement of Net Cost

Costs Credit Programs (134 - 182)	Yes, No, or N/A	Explanation
<p>157. In estimating default costs, has the entity considered the following factors?</p> <ul style="list-style-type: none"> a. loan performance experience b. the current and forecasted international, national, or regional economic conditions that may effect the performance of the loans c. financial and other relevant characteristics of borrowers d. the value of collateral to loan balance e. changes in recoverable value of collateral f. newly developed events that could affect the loans' performance g. improvements in methods to reestimate defaults (SFFAS 2, par. 34) 		
<p>158. In estimating and reestimating current and projected future default costs for each group, cohort, and risk category of loan and guarantee, has the agency used a consistent and systematic methodology? (SFFAS 2, par. 35 & 36)</p>		
<p>159. Are unbudgeted subsidy expenses resulting from reestimates disclosed in a note to the financial statements? (OMB Bull. 97-01 OMB Bull. 97-01 as amended (Jan. 7, 2000), item K, p. 58)</p>		
<p>160. Is interest (at the discount rate in effect when the loans were first disbursed) accrued on post-1991 direct loans, including amortized interest, recognized as interest income? (SFFAS 2, par. 37 & app. B, part I B(2) & C)</p>		

Section IV Statement of Net Cost

Costs Credit Programs (134 - 182)	Yes, No, or N/A	Explanation
161. Is interest (at the original discount rate) accrued on debt to the Treasury arising from post-1991 direct loans recognized as interest expense? (SFFAS 2, par. 37 & app. B, part I B(2) & C)		
162. Is interest (at the discount rate in effect when the loans were first disbursed) accrued on liability of post-1991 loan guarantees recognized as interest expense? (SFFAS 2, par. 37 & app. B, part III B(2) & C)		
163. Is interest (at the original discount rate) due from the Treasury on uninvested funds associated with post-1991 loan guarantee liabilities recognized as interest income? (SFFAS 2, par. 37 & app. B, part III B(2) & C)		
164. Are costs for administering credit activities (such as salaries, legal fees, and servicing) incurred in support of direct loan and guaranteed loan programs recognized as administrative expenses and not included in direct loan and loan guarantee subsidy costs? (SFFAS 2, par. 38 & app. B, part I C)		
165. Are administrative expenses for loans and guarantees broken out and disclosed by program, if material? (OMB Bull. 97-01 OMB Bull. 97-01 as amended (Jan. 7, 2000), note 7, item J, pp. 54 & 58)		

Section IV Statement of Net Cost

Costs Credit Programs (134 - 182)	Yes, No, or N/A	Explanation
166. Are losses (as well as valuation allowances and corresponding liabilities) of direct loans obligated and loan guarantees committed before October 1, 1992, recognized when it is likely that the direct loans will not be totally collected or that the loan guarantees will require a future cash outflow to pay default claims? (SFFAS 2, par. 39)		
167. If, at the time of the foreclosure, the expected net realizable value of pre-1992 foreclosed property is less than the cost (i.e., the carrying amount of the loan), is the loss charged to operations and tracked in a valuation allowance account? (SFFAS 3, par. 86)		
168. If the pre-1992 foreclosed asset's net realizable value subsequently increases or decreases, does the entity credit or charge this amount to results of operations and adjust the valuation allowance? (SFFAS 3, par. 86)		
169. Upon sale, is any difference between the net carrying amount of foreclosed property and the net proceeds of the sale recognized as a component of operating results? (SFFAS 3, par. 89)		
170. For post-1991 foreclosed property, is interest income accrued from the previous periodic adjustment in the carrying amount up to the sale date? (SFFAS 3, par. 89)		

Section IV Statement of Net Cost

Costs Credit Programs (134 - 182)	Yes, No, or N/A	Explanation
171. Is the resulting difference between the adjusted carrying amount of the post-1991 foreclosed property and the net sales proceeds recognized as a reestimate of “subsidy expense?” (SFFAS 3, par. 89)		
172. For pre-1992 foreclosed property, is the difference between the carrying amount and net sales proceeds recognized as a gain or a loss on the sale of foreclosed property? (SFFAS 3, par. 89)		

Section IV Statement of Net Cost

Costs Credit Programs (134 - 182)	Yes, No, or N/A	Explanation
		<p><i>The cost of the modification is the excess of the premodification value of a direct loan (or postmodification liability of loan guarantees) over the postmodification value of a direct loan (or premodification liability of loan guarantees), both of which have been discounted at the Treasury rate in effect when the modification occurred. (SFFAS 2, par. 45, notes 3 & 4 & par. 49, notes 6 & 7; SFFAS 19, par. 6)</i></p> <p><i>When a loan or loan guarantee is modified, the book value of a direct loan will generally decrease, while the liability for a loan guarantee will typically increase. The book value of the loan or guarantee is discounted at the Treasury rate originally used to calculate the present value of the direct loan or loan guarantee liability when the loan was originally disbursed. (SFFAS 2, par. 48 & 50, app. B parts I D (4 & 5), II B (4), III B (4), & IV B (4))</i></p> <p><i>A gain from a modification occurs when the cost of a modification is greater than the decrease in book value of a direct loan (or increase in the liability of a loan guarantee). (SFFAS 2, par. 46, par. 48 note 5, par. 50 & par. 52 footnote 8; SFFAS 19, par. 7)</i></p> <p><i>Conversely, a loss from a modification occurs when the cost of a modification is less than the decrease in book value of a direct loan (or increase in the liability of a loan guarantee) that was discounted at the Treasury rate in effect when the loan was made. (SFFAS 2, par. 46, par. 48 note 5, par. 50 & par. 52 note 8; SFFAS 19, par. 7)</i></p> <p><i>A sale of a post-1991 loan and pre-1992 direct loan is treated as a direct modification of the loans sold. The cost of modification is determined on the basis of the premodification value of the loans sold. (SFFAS 2, par. 53 & 54)</i></p>
<p>173. If pre-1992 or post-1991 loans are modified, is the excess of the premodification value⁹ over the post-modification value¹⁰ recognized as a modification expense or cost? (SFFAS 2, par. 45 & app. B, parts I D(1 - 3) & II B(1 - 3))</p>		

⁹ This is the present value of the net cash flows under *premodification* terms discounted at the *current* Treasury rate.
¹⁰ This is the present value of the net cash flows under *postmodification* terms discounted at the *current* Treasury rate.

Section IV Statement of Net Cost

Costs Credit Programs (134 – 182)	Yes, No, or N/A	Explanation
174. If the cost of modifying pre-1992 or post-1991 loans is greater than the decrease in the loans' book value ¹¹ , is the difference recognized as a gain? (SFFAS 2, par. 48 & app. B, parts I D(4 & 5) & II B (4 & 5))		
175. If the cost of modifying pre-1992 or post-1991 loans is less than the decrease in the loans' book value, is the difference recognized as a loss? (SFFAS 2, par. 48 & app. B, parts I D(4 & 5), & part II B(4 & 5))		
176. If pre-1992 or post-1991 loan guarantees are modified, is the excess of the postmodification liability ¹² over the premodification liability ¹³ recognized as a modification expense? (SFFAS 2, par. 49 & app. B, parts III D(1 - 3), & IV B (1 - 3))		
177. If the premodification value of post-1991 and pre-1992 loans sold ¹⁴ exceeds the net proceeds from the sale, is the excess treated as the cost of modification and recognized as a modification expense? (SFFAS 2, par. 45 & 53 & app. B, part I F(1))		
178. If a loan is sold with recourse, are estimated losses recognized as a subsidy expense and loan guarantee liability? (SFFAS 2, par. 54)		

¹¹ This is the difference between the *premodification* and the *postmodification* values discounted at the *original* (premodification) discount rate.

¹² This is the present value of the net cash flows under *postmodification* terms discounted at the *current* Treasury rate.

¹³ This is the present value of then net cash flows under *premodification* terms discounted at the *current* Treasury rate.

¹⁴ This is the present value of the loans' net cash inflows discounted at the *current* discount rate.

Section IV Statement of Net Cost

Costs Credit Programs (134 - 182)	Yes, No, or N/A	Explanation
179. If the cost of modifying pre-1992 or post-1991 loan guarantees is greater than the increase in the book value of the related loan guarantee liabilities, ¹⁵ is the difference recognized as a gain? (SFFAS 2, par. 52 & app. B, parts III D (4 & 5) & IV B (5))		
180. If the cost of modifying pre-1992 or post-1991 loan guarantees is less than the increase of the related loan guarantee liabilities, is the difference recognized as a loss? (SFFAS 2, par. 52 & app. B, parts III D(4 & 5) & IV B (5))		
181. If the modification expense arising from a loan sale is greater than the book value loss, is the difference recognized as a gain? (SFFAS 2, par. 55 & app. B, part I F(2))		
182. If the modification expense arising from a loan sale is less than the book value loss, is the difference recognized as a loss? (SFFAS 2, par. 55 & app. B, part I F (2))		

¹⁵ This is the difference between the *premodification* and the *postmodification* values discounted at the original discount rate.

Section IV Statement of Net Cost

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Section V Statement of Changes in Net Position

The 37 questions in this section are related to the Statement of Changes in Net Position

	<u>Question Numbers</u>
1. Net Cost of Operations	1 - 2
2. Appropriations Used	3 - 4
3. Taxes and Other Nonexchange Revenues	5 - 12
4. Donations	13
5. Imputed Financing	14
6. Transfers	15 - 18
7. Modifications	19 - 24
8. Prior-period Adjustments	25 - 31
9. Unexpended Appropriations	32 - 33
10. Net Position	34 - 37

Section V Statement of Changes in Net Position

Changes in Net Position (1 - 37)	Yes, No, or N/A	Explanation
<p><i>The Statement of Changes in Net Position reports the beginning net position, the items that caused net position to change during the reporting period, and the ending net position. (SFFAS 7 Imple. Guide, par. 63; OMB 97-01 as amended (Jan. 7, 2000), p. 32)</i></p>		
<p>1. Does the amount reported for "net cost of operations" correspond to the amount reported on the current year's Statement of Net Cost? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 32)</p>		
<p>2. Is nonexchange revenue recognized as a financing source in calculating the net results of operations (and not as a deduction in determining the net cost of operations)? (SFFAS 7, par. 60)</p>		
<p>3. Are "appropriations used" recognized as a financing source in determining the net results of operations when, under authority of the appropriation, goods and services are received or benefits or grants are provided? (SFFAS 7, par. 72, 212, 214, 331, & 332; OMB 97-01 as amended (Jan. 7, 2000), p. 32)</p>		
<p>4. Do appropriations used exclude the following appropriations?</p> <ul style="list-style-type: none"> a. appropriations of dedicated tax receipts and donations b. appropriations used by collecting entities to provide refunds of monies deposited to Treasury or trust funds c. appropriations used for repayment of debt (SFFAS 7, par. 332; OMB 97-01 as amended (Jan. 7, 2000), p. 32) 		

Section V Statement of Changes in Net Position

Changes in Net Position (1 - 37)	Yes, No, or N/A	Explanation
5. Does the entity recognize taxes and other nonexchange revenues to which it is legally entitled and which it does not transfer to other entities? (SFFAS 7, par. 48, 49, & 176; SFFAS 7 Imple.Guide, par. 65 & 95)		
6. Is nonexchange revenue recognized when the government's claim to resources can be characterized as follows? a. specifically identifiable b. legally enforceable c. reasonably measurable d. more likely than not collectable (SFFAS 7, par. 48)		

Section V Statement of Changes in Net Position

Changes in Net Position (1 - 37)	Yes, No, or N/A	Explanation
<p>7. Are the following transactions recognized as taxes and other nonexchange revenues from the public?</p> <ul style="list-style-type: none"> a. individual and corporate income taxes, social insurance taxes and contributions, excise taxes, estate and gift taxes, and customs duties b. social insurance taxes and contributions paid by federal employees c. deposits by states for unemployment trust funds d. user fees and harbor maintenance trust fund payments d. customs service fees f. deposits of earnings from the Federal Reserve System g. donations h. fines and penalties i. penalties due to delinquent taxes in connection with custodial activity j. forfeitures (SFFAS 7, par. 49, 61 - 63, 242 - 257, 260 - 269, & 305; SFFAS 7 Imple. Guide, par. 99 - 103) 		
<p>8. Is seignorage¹ recognized as an “other” financing source when coins are delivered to the Federal Reserve banks in return for deposits? (SFFAS 7, par. 305)</p>		

¹ This is the difference between the face value of newly minted coins less the cost of manufacture.

Section V Statement of Changes in Net Position

Changes in Net Position (1 - 37)	Yes, No, or N/A	Explanation
<p>9. Are the following transactions recognized as nonexchange revenue from other federal government entities?</p> <ul style="list-style-type: none"> a. interest on Treasury securities held by trust funds and special funds (except revolving trust funds) when the predominant source of funds is from nonexchange revenue b. interest received by one fund from another c. employer contributions to social insurance programs (SFFAS 7, par. 306 – 310) 		
<p>10. Does the general fund recognize all nonexchange revenue not recognized by trust funds and other recipient entities? (SFFAS 7, par. 60.4)</p>		
<p>11. Does the general fund recognize, in succeeding periods, revenue that is determined, after the books have been closed for the period, to have been properly transferable (or improperly transferred) to other recipient entities? (SFFAS 7, par. 60.4)</p>		
<p>12. Are the following transactions recognized as nonexchange gains or losses from other federal government entities?</p> <ul style="list-style-type: none"> a. retirement of debt securities prior to maturity held by trust funds and special funds b. cancellation of debt (SFFAS 7, par. 311 – 313) 		
<p>13. Is revenue arising from donations of nonfinancial resources measured at the estimated fair value of the contribution at the time of the donation? (SFFAS 3, par. 43; SFFAS 6, par. 30; SFFAS 7, par. 62, 258, 259, & 361; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 32)</p>		

Section V Statement of Changes in Net Position

Changes in Net Position (1 - 37)	Yes, No, or N/A	Explanation
<p>14. Does the reporting entity recognize an imputed financing source for costs funded through other federal entities as well as nonreimbursed costs of goods and services provided by other federal entities? (SFFAS 4, par. 109; SFFAS 5, par. 75, 77, 78, 91, & 93; SFFAS 7, par. 70, 73, 220, & 333 - 337; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 32)</p>		
<p>15. When assets are transferred among governmental entities without reimbursement:</p> <ul style="list-style-type: none"> a. Does the receiving entity recognize the transfer-in as an increase in financing sources in its statement of net position? b. Does the transferring entity recognize the transfer-out as a decrease in financing sources in its statement of net position? (SFFAS 7, par. 74, 220(b), par. 344 - 346; SFFAS 7 Imple. Guide, par. 65; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 32 & 33) 		
<p>16. Are transferred assets recorded at the book value of the transferring entity, or, if the receiving entity does not know the book value, is the asset recorded at its estimated fair value as of the date of the transfer? (SFFAS 7, par. 74; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 32 & 33)</p>		

Section V Statement of Changes in Net Position

Changes in Net Position (1 - 37)	Yes, No, or N/A	Explanation
<p>17. Is revenue recognized by the recipient entities as the sum of the following?</p> <ul style="list-style-type: none"> a. cash or cash equivalents transferred to them by the collecting entities b. the net change in any related interentity balances between the collecting and the receiving entities (i.e., the amount to be transferred to the recipient entities from the collecting entity or vice versa) (SFFAS 7, par. 60) 		
<p>18. Is noncustodial exchange revenue transferred to another government entity or to the Treasury recognized as a "transfer-out" in determining the net results of operations? (SFFAS 7, par. 75 & note 18)</p>		
<p><i>A modification means a federal government action, including new legislation or administration action, that directly or indirectly alters the estimated subsidy cost and present value of outstanding loans or the liability of loan guarantees. (SFFAS 2, par. 41)</i></p>		
<p>19. Is a gain² from the modification of post-1991 loans reported as a reduction in financing source and paid to the Treasury as a "modification adjustment transfer?" (SFFAS 2, par. 48, & app. B, part I D(5))</p>		
<p>20. Is a loss³ from the modification of post-1991 loans reported as a financing source when the reporting entity receives from the Treasury a "modification adjustment transfer?" (SFFAS 2, par. 48 & app. B, part I D(5))</p>		

² The excess of the cost of the modification over the decrease in loan book value discounted at the Treasury rate.

³ The excess of the decrease in loan book value, discounted at the Treasury rate, over the cost of the modification.

Section V Statement of Changes in Net Position

Changes in Net Position (1 - 37)	Yes, No, or N/A	Explanation
21. Is a gain ⁴ resulting from a modification of post-1991 loan guarantees reported as a reduction in financing source and paid to the Treasury as a "modification adjustment transfer?" (SFFAS 2, par. 52 & app. B, part III D(5))		
22. Is a loss ⁵ resulting from a modification of post-1991 loan guarantees reported as a financing source when the reporting entity receives from the Treasury a "modification adjustment transfer" to offset the difference? (SFFAS 2, par. 52 & app. B, part III D(5))		
23. Is a gain on the sale of a post-1991 loan reported as a reduction in financing source and paid to the Treasury as a "modification adjustment transfer?" (SFFAS 2, par. 55 & app. B, part I F(2))		
24. Is a loss on the sale of a post-1991 loan reported as a financing source when the reporting entity receives from the Treasury a "modification adjustment transfer?" (SFFAS 2, par. 55 & app. B, part I F(2))		
25. Are prior-period adjustments limited to corrections of errors and accounting changes with retroactive effect, including changes caused by the adoption of new federal financial accounting standards? (SFFAS 7, par. 76; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 33)		

⁴ The excess of the cost of the modification over the increase in liability discounted at the Treasury rate.
⁵ The excess of the increase in liability, discounted at the Treasury rate, over the cost of the modification.

Section V Statement of Changes in Net Position

Changes in Net Position (1 - 37)	Yes, No, or N/A	Explanation
26. Are prior-period adjustments recognized as changes in cumulative results of operations (rather than as an element of net results of operations for the period)? (SFFAS 7, par. 76; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 33)		
27. If cost information for existing general PP&E has not been maintained, are the estimated values recorded in the appropriate asset and contra-asset accounts and the difference shown as a "prior-period adjustment" in the statement of changes in net position? (SFFAS 6, par. 40 & 43)		
28. If national defense, heritage PP&E, and stewardship land had been previously recognized as assets and contra-assets for balance sheet reporting, has the entity performed the following operations? a. netted out these accounts, charged the residual to "net position" b. shown the net change as a "prior-period adjustment" in the statement of changes in net position (SFFAS 6, par. 55; SFFAS 11, par. 7; SFFAS 16, par. 14)		
29. Conversely, if multiuse heritage assets are capitalized, is the asset fair value added to the balance sheet and reported as a "prior-period adjustment"? (SFFAS 16, par. 15)		

Section V Statement of Changes in Net Position

Changes in Net Position (1 - 37)	Yes, No, or N/A	Explanation
<p>30. If stewardship PP&E has been placed into service as of September 30, 1997, is a liability recognized, disclosed, and an adjustment made to net position as a "prior-period adjustment" for the following amounts?</p> <ul style="list-style-type: none"> a. the portion of estimated clean-up costs incurred to date b. the estimated total clean-up costs as a liability if costs are not intended to be recovered primarily through user charges (SFFAS 6, par. 16 & 104 - 106; OMB 97-01 as amended (Jan. 7, 2000), p. 74) 		
<p>31. If prior-period adjustments are made to the current year's assets and liabilities and offset against net position:</p> <ul style="list-style-type: none"> a. Are the amounts and circumstances disclosed in the notes? b. Are the published financial statements presenting prior-year financial information left unchanged? (SFFAS 6, par. 55, 56, 63, 65, 75, 76, 105, & 106) 		
<p>32. Are unexpended appropriations reduced as appropriations are used? (SFFAS 7, par. 71)</p>		
<p>33. Are unexpended appropriations adjusted for other changes in budgetary resources, such as rescissions and transfers? (SFFAS 7, par. 71)</p>		
<p>34. Is the "Net Position - Beginning Period" consistent with "Net Position - End of Period" on the prior-year's balance sheet? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 33)</p>		

Section V Statement of Changes in Net Position

Changes in Net Position (1 - 37)	Yes, No, or N/A	Explanation
35. Is "Net Position - End of Period" reported in the Statement of Changes in Net Position consistent with "Total Net Position" reported in the current year's Balance Sheet? (OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 16 & 33)		
36. Is the sum of the net increase or decrease in unexpended appropriations and the net change in the cumulative results of operations recognized as the "Change in Net Position?" (SFFAS 7, par. 71; SFFAS 7 Imple. Guide, par. 65 & 121, figure 3 & 4; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 31 & 33)		
37. Is the difference between "Net Position - Beginning of Period" and "Net Position - End of Period" equal to the "Change in Net Position?" (SFFAS 7, par. 71; SFFAS 7 Imple. Guide, par. 121, figures 3; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 31 & 33)		

Section V Statement of Changes in Net Position

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Section VI Statement of Budgetary Resources

The four questions in this section concern the Statement of Budgetary Resources

Statement of Budgetary Resources (1 - 4)	Yes, No, or N/A	Explanation
<p><i>The budget is the primary financial planning and control tool of the government. The Statement of Budgetary Resources and the related disclosures provide information about how budgetary resources were made available as well as their status at the end of the period. (SFFAS 7, par. 77; SFFAS 7 Imple. Guide, par. 68; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 36)</i></p>		
<p>1. If the reporting entity’s financing comes either wholly or partially from budgetary resources, does the entity present in a “Statement of Budgetary Resources” the following disclosures?</p> <ul style="list-style-type: none"> a. total budgetary resources available during the period including, if applicable <ul style="list-style-type: none"> i. new budget authority ii. direct spending authority iii. unobligated balances at the beginning of the period or transferred in during the period iv. spending authority from offsetting collections v. adjustments to budgetary authority b. the status of budgetary resources consisting, when applicable, of <ul style="list-style-type: none"> i. obligations incurred ii. unobligated balances that remain available at the end of the period 		

Section VI Statement of Budgetary Resources

Statement of Budgetary Resources (1 - 4)	Yes, No, or N/A	Explanation
<p>Question 1 continued</p> <ul style="list-style-type: none"> b. the status of budgetary resources consisting, when applicable, of <ul style="list-style-type: none"> iii. unobligated balances that are unavailable at the end of period, except to adjust or liquidate obligations chargeable to prior-period appropriations c. a statement of outlays during the period that displays <ul style="list-style-type: none"> i. obligations incurred less spending authority from offsetting collections and adjustments ii. obligated balances at the beginning of the period iii. obligated balances transferred iv. obligated balances net at end of extra period (SFFAS 7, par. 77; & SFFAS 7, Imple. Guide, par. 68 – 69; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 35 & 36) 		
<p>2. Is the recognition and measurement of budgetary information reported on the Statement of Budgetary Resources based on budget terminology, definitions, and guidance in OMB Circular A-34, <i>Instructions on Budget Execution</i>, dated December 26, 1995? (SFFAS 7, par. 78; SFFAS 7, Imple. Guide, par. 69; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 36, 2nd par.)</p>		

Section VI Statement of Budgetary Resources

Statement of Budgetary Resources (1 - 4)	Yes, No, or N/A	Explanation
3. Is the information for each of the entity's major budget accounts presented as required supplementary information? (SFFAS 7, par. 78; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 80)		

Section VI Statement of Budgetary Resources

Statement of Budgetary Resources (1 - 4)	Yes, No, or N/A	Explanation
<p>4. Does the entity disclose the following information about the status of its budgetary assets?</p> <ul style="list-style-type: none"> a. the amount of budgetary resources obligated for undelivered orders at the end of the period b. available borrowing and contract authority at the end of the period c. repayment requirements, financing sources for repayment, and other terms of borrowing authority used d. material adjustments during the reporting period to budgetary resources available at the beginning of the year and an explanation thereof e. existence, purpose, and availability of permanent indefinite appropriations f. information about legal arrangements affecting the use of unobligated balances of budget authority, such as time limits, purpose, and obligation limitations g. explanations of any material differences between the budgetary resources reported in the Statement of Budgetary Resources and "actual" amounts in the Budget of the U.S. government h. the amount of unfunded liabilities, and an explanation that includes identification of balance sheet components, when unfunded liabilities do not equal the total financing sources yet to be provided i. the amount of any capital infusion received during the reporting period (SFFAS 7, par. 79 & 209 – 212; SFFAS 7 Imple. Guide, par. 70-71; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 74 & 75) 		

Section VII Statement of Financing

The ten questions in this section are related to the Statement of Financing.

	<u>Question Numbers</u>
1. General	1
2. Obligations and Nonbudgetary Resources	2 - 3
3. Resources That Do Not Fund Net Cost of Operations	4 - 5
4. Costs That Do Not Require Resources	6 - 7
5. Financing Sources Yet to be Provided	8
6. Net Cost of Operations	9
7. Disclosures	10

Section VII Statement of Financing

Statement of Financing (1 - 10)	Yes, No, or N/A	Explanation
<p><i>Accrual-based measures used in the Statement of Net Cost differ from the obligation-based measures used in the Statement of Budgetary Resources. The Statement of Financing is designed to report those differences and facilitate the reconciliation between the two statements. (SFFAS 7, par. 80; SFFAS 7 Imple. Guide, par. 72 - 73; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 38)</i></p>		
<p>1. Does the reconciliation between the budgetary and financial accounting information explain the relationship between budgetary resources obligated by the entity during the period and the net cost of operations? (SFFAS 7; par. 80, 91 - 94, & 217; SFFAS 7 Imple. Guide, par. 74 - 75)</p>		
<p>2. To arrive at "total adjusted obligations and nonbudgetary resources," are "obligations incurred" reduced by such adjustments as the following?</p> <ul style="list-style-type: none"> a. offsetting collections to expenditure accounts (e.g., receipts from the sale of capitalized assets, collections of loan principle, and related interest and reimbursements for services provided) b. exchange revenues not in the budget c. transfers-out of assets in the amount of their book value (SFFAS 7, par. 80; SFFAS 7 Imple. Guide, par. 77 - 81, 121 (figure 11), 140 - 152, 155, & 168 - 170; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 37 & 38) 		

Section VII Statement of Financing

Statement of Financing (1 - 10)	Yes, No, or N/A	Explanation
<p>3. To arrive at “total obligations as adjusted and nonbudgetary resources,” are “obligations incurred” increased by such adjustments as the following?</p> <ul style="list-style-type: none"> a. imputed financing for cost subsidies b. transfers-in of assets in the amount of the book value, if known, or for the fair market value, if not known c. financing sources other than exchange revenues that are not in the budget d. donations not accounted for in the budget (SFFAS 7, par. 80; SFFAS 7 Imple. Guide, par. 77 - 81, 121 (figure 16), 140 - 141, & 146 - 152; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 37 & 38) 		

Section VII Statement of Financing

Statement of Financing (1 - 10)	Yes, No, or N/A	Explanation
<p>4. Are adjusted obligations and nonbudgetary resources reduced by certain changes in resources that do not fund net costs of operations, including the following?</p> <ul style="list-style-type: none"> a. the amount of net increases in undelivered but obligated orders for goods, services, and benefits b. the cost of any capitalized good or service acquired during the year c. loans made (less subsidy expense) d. financing sources that fund costs of prior periods (e.g., appropriations for credit subsidies expensed in prior periods or decreases in unfunded liabilities, such as reductions in accrued annual leave liabilities) e. other resources that do not fund net costs of operations (SFFAS 7, par. 81; SFFAS 7 Imple. Guide, par. 82 - 85, 121 (figures 11 & 16), 127 - 139, & 153 -167; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 37 & 38) 		

Section VII Statement of Financing

<p>Statement of Financing (1 - 10)</p>	<p>Yes, No, or N/A</p>	<p>Explanation</p>
<p>5. Are adjusted obligations and nonbudgetary resources increased by certain changes in resources that do not fund net costs of operations, including the following?</p> <ul style="list-style-type: none"> a. the amount of net decreases in undelivered and obligated orders for goods, services, and benefits b. Collections of loan principal and related subsidy expenses c. removal of undepreciated portions of capitalized assets disposed of during the year d. other offsetting adjustments (SFFAS 7, par. 81; SFFAS 7 Imple. Guide, par. 82 - 85, 142 - 145, 146 - 152, & 153 - 167; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 37 & 38) 		
<p>6. Are certain costs that do not require financing by either budgetary or nonbudgetary resources (e.g., depreciation and losses or expenses arising from revaluation of assets) added to adjusted obligations and nonbudgetary resources to arrive at net costs of operations? (SFFAS 7, par. 81; SFFAS 7 Imple. Guide, par. 86 - 89 & 121 (figures 11 & 16); OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 37, 38, & 39)</p>		
<p>7. If the reimbursement for goods or services provided by one federal entity to another federal entity is less than the full cost, does the recipient entity recognize the difference in its accounting records as a financing source? (SFFAS 4, par. 109, 114, & 115)</p>		

Section VII Statement of Financing

<p>Statement of Financing (1 - 10)</p>	<p>Yes, No, or N/A</p>	<p>Explanation</p>
<p>8. Are costs that are recognized in the current period but are to be financed in future periods (e.g., accrued expenses such as increases in annual leave, subsidy reestimates, and increases in postretirement benefit liabilities) reported as "financing sources yet to be provided?" (SFFAS 7, par. 81; SFFAS 7 Imple. Guide, par. 90 - 93 & 121 (figures 6 & 11); OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 37 & 39)</p>		
<p>9. Does the net cost of operations on the Statement of Financing agree with the net cost of operations on the Statement of Net Cost? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 39)</p>		
<p>10. Are adjustments to the total of obligations and nonbudgetary resources presented and explained in a manner that clarifies the relationship between the obligation basis used in the budget and the accrual basis used in financial accounting? (SFFAS 7, par. 80 - 82)</p>		

Section VIII Statement of Custodial Activity

The 26 questions in this section are related to the Statement of Custodial Activity

	<u>Question Numbers</u>
1. General	1 - 2
2. Sources of Collections	3 - 8
3. Disposition of Collections	9 - 12
4. Disclosures	13 - 17
5. Dedicated Collections and Other Accompanying Information	18 - 26

Section VIII Statement of Custodial Activity

Statement of Custodial Activity (1 - 26)	Yes, No, or N/A	Explanation
<p><i>Entities that collect nonexchange revenue for the General Fund of the Treasury, a trust fund, or other recipient entities account for the collection and disposition of these revenues in a Statement of Custodial Activity. (SFFAS 7 Imple. Guide, par. 58; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 41)</i></p>		
<p>1. If the entity collects <i>exchange</i> revenue on behalf of other entities and recognizes little or no costs in earning that revenue, does the entity account for it as a custodial activity? (SFFAS 7, par. 45, 140 - 145, & 270 - 279; SFFAS 7 Imple. Guide, par. 51 - 57; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 41)</p>		
<p>2. If the collecting entity is not legally entitled to retain a portion or all of the collected <i>nonexchange</i> revenue, is the receipt and disposition of that revenue reported in the Statement of Custodial Activity? (SFFAS 7, par. 48, 49, & 176; SFFAS 7 Imple. Guide, par. 58 - 62 & 95; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 41)</p>		
<p>3. Does the collecting entity measure taxes and duties on a cash basis and then modify that with an accrual adjustment to determine the amount of revenue to be recognized? (SFFAS 7, par. 49 & 52)</p>		
<p>4. Except for deposits,¹ are cash collections based on amounts actually received² during the period? (SFFAS 7, par. 50 & 59)</p>		
<p>5. Are the components of cash collections classified by source and nature of collection, such as by type of tax or duty? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 41)</p>		

¹Deposits are amounts voluntarily paid to reporting entities, such as those made pending settlements and judgments.

²These would include withholdings, estimated payments, final payments, collections of receivables, and prepayments.

Section VIII Statement of Custodial Activity

Statement of Custodial Activity (1 – 26)	Yes, No, or N/A	Explanation
6. Are cash refunds of nonexchange revenue based on refunds of taxes and duties during the period? (SFFAS 7, par. 51)		
7. Do cash refunds of nonexchange revenue for taxes and duties include "refund offsets" ³ and "drawbacks?" ⁴ (SFFAS 7, par. 51)		
8. Are accrual adjustments separately reported in a footnote ⁵ (SFFAS 7, par. 52; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 41)		
9. Is the disposition of collections, including amounts transferred to others, amounts yet to be transferred, and amounts retained by the collecting entity reported and broken out by recipient? (OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 40, 41, & 42)		
10. Does the collecting entity report the change in liability for accrued and collected revenue yet to be transferred? (SFFAS 7 Imple. Guide, par. 61; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 41)		
11. Are collections retained by the entity separately reported and treated as a disposition of collections revenue? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 42)		

³ These are amounts withheld from refunds on behalf of other agencies and paid to such agencies.

⁴ These are refunds of duties paid on imported goods that are subsequently exported or destroyed.

⁵ Accrual adjustments are the net increases or decreases during the reporting period in accounts receivable, allowance for uncollectable accounts, and accounts payable for refunds.

Section VIII Statement of Custodial Activity

Statement of Custodial Activity (1 - 26)	Yes, No, or N/A	Explanation
<p>12. In the statement of custodial activity, do total sources of collections equal total disposition of collections (revenue) so that the net custodial activity is zero? (SFFAS 7 Imple. Guide, par. 61; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 40 & 42)</p>		
<p>13. If custodial revenues are immaterial and incidental to the entity's primary mission and are not reported separately, are the sources and amounts of the collections and the amounts distributed to others disclosed in the accompanying footnotes? (OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 41 & 75)</p>		
<p>14. Does the collecting entity disclose and explain the following information?</p> <ul style="list-style-type: none"> a. the basis of accounting when application of the general rule for recognizing nonexchange revenue (i.e., specifically identifiable, legally enforceable, and reasonably estimable) results in a modified cash basis of accounting b. the specific potential accruals that are not made as a result of using the modified cash basis accounting c. the practical and inherent limitations affecting the accrual of taxes and duties d. the use of accrual-based accounting, if applicable (SFFAS 7, par.48 & 64; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 75) 		

Section VIII Statement of Custodial Activity

Statement of Custodial Activity (1 - 26)	Yes, No, or N/A	Explanation
<p>15. Do entities that collect taxes and duties disclose the following information in a note or narrative?</p> <ul style="list-style-type: none"> a. basis of accounting b. factors affecting the collectability and timing of taxes and other nonexchange revenues c. cash collections and refunds by tax year and type of tax for the reporting period (SFFAS 7, par. 65.1 & 65.3; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 75) 		
<p>16. If trust fund revenues are not recorded in accordance with applicable law, do the collecting and recipient entities disclose the reasons? (SFFAS 7, par. 66)</p>		
<p>17. If refunds are material in relation to gross collections, are they separately disclosed by components? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 39)</p>		
<p><i>Dedicated collections are funds held with the expectation that they will be held for and applied to the purposes for which the funds were dedicated. Such funds include all funds within the budget classified as trust funds, those funds within the budget that are classified as "special funds" but that are similar in nature to trust funds, and those funds within the federal universe (inside or outside the budget) that are fiduciary in nature. (SFFAS 7, par. 83; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 75)</i></p>		
<p>18. Does the management of a reporting entity identify, track, and disclose the receipts and expenditures of dedicated trust funds, "special funds," and fiduciary or deposit funds (both inside and outside the budget) that are under its purview? (SFFAS 7, par. 83, 226, 230 - 233, & 370; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 75)</p>		

Section VIII Statement of Custodial Activity

Statement of Custodial Activity (1 - 26)	Yes, No, or N/A	Explanation
<p>19. Does management provide separate financial information about these dedicated funds if they are material to the reporting entity, the beneficiary, or the contributors? (SFFAS 7, par. 84, 226, 230 - 233, & 370)</p>		
<p>20. If a separate report is made to beneficiaries of or contributors to dedicated collections and the funds are not material to the reporting entity, are those immaterial funds combined for disclosure purposes? (SFFAS 7, par. 84 & 85)</p>		

Section VIII Statement of Custodial Activity

Statement of Custodial Activity (1 – 26)	Yes, No, or N/A	Explanation
<p>21. Is the following information reported for individual funds that account for dedicated collections?</p> <ul style="list-style-type: none"> a. a description of each fund’s purposes, and how the administrative entity accounts for and reports the fund and its authority to use those collections b. the sources of revenue or other financing for the period and an explanation of the extent to which they are inflows of resources to the government or the result of intragovernmental flows c. condensed information about assets and liabilities showing investments in Treasury securities, other assets, liabilities due and payable to beneficiaries, other liabilities, and fund balance d. condensed information on net cost and changes to fund balance showing revenues by type (exchange or nonexchange), program expenses, other expenses, other financing sources, and other changes in fund balance e. the amounts of any revenues — other financing sources or costs attributable to the fund under accounting standards — that are not legally allowable as credits or charges to the fund (SFFAS 7, par. 85) 		
<p>22. If revenues, other financing sources, or costs (such as item "e" of the previous question) are associated with but not legally allowable to a fund, does the larger reporting entity of which the fund is a component recognize them? (SFFAS 7, par. 86; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 75)</p>		

Section VIII Statement of Custodial Activity

Statement of Custodial Activity (1 - 26)	Yes, No, or N/A	Explanation
<p>23. If more than one reporting entity is responsible for carrying out a program financed with dedicated collections, does the entity with the largest share of the activity take responsibility for reporting all revenues, other financing sources, assets, liabilities, and costs of the fund? (SFFAS 7, par. 87; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 75)</p>		
<p>24. Are trust funds allowed to recognize revenue from excise taxes on the basis of assessments if information on actual collections is not currently available from the collecting entity? (SFFAS 7, par. 60.1)</p>		
<p>25. Is the amount of revenue accrued and recognized by the social security trust fund based on the best available information (i.e., on the basis of the higher of the amount of Internal Revenue Service (IRS) assessments or the amounts actually reported by employers to Social Security)? (SFFAS 7, par. 60.2 & 177)</p>		

Section VIII Statement of Custodial Activity

Statement of Custodial Activity (1 - 26)	Yes, No, or N/A	Explanation
<p>26. Does the collecting entity report the following as other accompanying information?</p> <ul style="list-style-type: none"> a. income tax burden borne by different classes of taxpayers and the effects of tax rates, deductions, credits, etc. (required of IRS) b. applicable information on the size of the tax gap, including <ul style="list-style-type: none"> i. explicit definitions of the estimated amounts reported (e.g., whether the tax gap includes estimates on illegally earned income) ii. appropriate explanations of the limited reliability of the estimates iii. cross references to portions of the tax gap due from identified noncompliant taxpayers and importers c. appropriate explanations and qualifications, if information about tax expenditures related to entity programs is present d. a description of the basis for the estimates and appropriate cautionary language about reliability, if information about estimated directed flows of resources related to an entity's programs is presented (SFFAS 7, par. 69.1 - 69.4, 108, & 192 - 202; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 82) 		

Section VIII Statement of Custodial Activity

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Section IX Notes to Financial Statements

The four questions in this section concern the disclosure of significant accounting policies

Notes to Financial Statements (1 - 4)	Yes, No, Or N/A	Explanation
1. Does the entity identify and describe accounting principles and applications it follows in a note to the financial statements? (OMB Bull. 97-01 as amended (Jan. 7, 2000) , p. 43, note 1)		
2. Does the entity's disclosure of its accounting policies include its rationale for the valuation, recognition, and allocation of assets, liabilities, expenses, revenues, and other financing sources? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 43, note 1)		
3. Does the entity disclose any significant changes in its composition or manner in which it aggregates information for financial reporting purposes? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 43, note 1)		
4. If the changes have resulted in a new reporting entity, has the entity restated prior-period financial statements to correspond to the changes? (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 43, note 1)		

Section IX Notes to Financial Statements

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Section X Supplementary Information

The questions related to the Supplementary Information are organized in the following nine categories.

	<u>Question Numbers</u>
1. Required Supplementary Stewardship Information: Property, Plant and Equipment	1 – 19
2. Required Supplementary Stewardship Information: Stewardship Investments	20 – 41
3. Required Supplementary Stewardship Information: Risk Assumed Information	42 – 46
4. Required Supplementary Information: Custodial Activity	47 – 48
5. Required Supplementary Information: Segment Information	49 – 50
6. Required Supplementary Information: Deferred Maintenance	51 – 54
7. Required Supplementary Information: Intragovernmental Amounts	55 – 67
8. Required Supplementary Stewardship Information: Social Insurance Programs	68 – 94
9. Required Supplementary Information: Management Discussion and Analysis	95 – 101

Section X Supplementary Information

Required Supplementary Stewardship Information: Property, Plant, and Equipment (1 - 19)	Yes, No, or N/A	Explanation
		<p><i>The standards for reporting on the federal government’s stewardship cover (1) certain resources entrusted to it that are identified as stewardship property, plant, and equipment (PP&E) and stewardship investments and (2) certain responsibilities assumed by it, identified as the current services assessment, that cannot be measured in traditional financial reports.</i></p> <p><i>PP&E consists of items whose characteristics resemble those of general PP&E traditionally capitalized in financial statements. However, because of the nature of these assets, valuation may be difficult, and matching costs with specific periods would not be meaningful.</i></p> <p><i>Stewardship PP&E includes:</i></p> <ul style="list-style-type: none"> - <i>heritage assets, such as federal monuments and memorials, that are of historical, natural, cultural, educational, architectural, or artistic significance;</i> - <i>national defense PP&E such as military weapons systems; and</i> - <i>stewardship land, such as national forests and parks, that have not been acquired for or in connection with general PP&E. (SFFAS 8, par. 9, 10, 11, & 17; SFFAS 11, par. 3, 4 & 7; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 76)</i>
<p>1. Are heritage assets reported as Required Supplementary Stewardship Information (RSSI) accompanying the financial statements rather than as asset amounts on the balance sheet? (SFFAS 8, par.17, 19,21, & 46; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 76)</p>		
<p>2. Are heritage assets reported in RSSI in terms of physical units rather than in terms of cost, fair value, or other monetary values? (SFFAS 8, par. 46; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 76)</p>		

Section X Supplementary Information

Required Supplementary Stewardship Information: Property, Plant, and Equipment (1 - 19)	Yes, No, or N/A	Explanation
<p>3. Does the reporting entity provide relevant RSSI in the financial statements, such as the following information about its heritage assets?</p> <ul style="list-style-type: none"> a. a description of each major category of heritage asset b. a breakout by type of heritage asset of the number of physical units added, withdrawn, and on hand at the end of the reporting year c. a description of the methods of acquisition and withdrawal of heritage assets d. a description of the condition of the assets if not already disclosed in a note to the financial statements e. a reference to the Required Supplementary Information, if deferred maintenance has been reported for the assets (SFFAS 8, par. 50; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 77) 		
<p style="text-align: center;"><i>National defense PP&E are (1) the PP&E components of weapons systems and support PP&E owned by the Department of Defense or its component entities for use in the performance of military missions and (2) vessels held in a preservation status by the Maritime Administration's National Defense Reserve Fleet. (SFFAS 11, par. 8)</i></p>		
<p>4. Is National defense PP&E reported as RSSI? (SFFAS 8, par. 68; SFFAS 11, par. 16 & 22 – 24; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 77)</p>		

Section X Supplementary Information

Required Supplementary Stewardship Information: Property, Plant, and Equipment (1 - 19)	Yes, No, or N/A	Explanation
<p>5. Do national defense PP&E components include the following items?</p> <ul style="list-style-type: none"> a. weapons systems PP&E (e.g., aircraft, ships, and tanks) b. weapons systems supporting principal end items (e.g., radars, guidance systems, engines) c. weapons systems supporting real property (e.g., ammunition bunkers, missile silos) d. mission support PP&E (e.g., nontactical vehicles such as fuel tankers, combat operations centers, crypto systems, and field security systems) (SFFAS 11, par. 9 & 14) 		
<p>6. Does national defense PP&E also include PP&E items in the possession of contractors? (SFFAS 11, par. 10 & 11)</p>		
<p>7. Does national defense PP&E exclude the following items?</p> <ul style="list-style-type: none"> a. manufacturing and testing equipment b. operating materials and supplies c. stockpiled materials (SFFAS 11, par. 12 & 13) 		

Section X Supplementary Information

Required Supplementary Stewardship Information: Property, Plant, and Equipment (1 - 19)	Yes, No, or N/A	Explanation
<p>8. Is national defense PP&E valued and reported in RSSI using either of the following methods?</p> <p>a. the total cost method¹</p> <p>b. the latest acquisition cost method² (SFFAS 8, par. 60, 62, 63, & 121; SFFAS 11, par. 22 – 24; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 77)</p>		
<p>9. Is the valuation method chosen used on a consistent basis and, if any change in method is made, is it justified? (SFFAS 8, par. 61; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 77)</p>		
<p>10. Do the costs assigned to an item of national defense PP&E also include all costs incurred to bring PP&E to a form and location suitable for its intended use? (SFFAS 8, par. 64)</p>		
<p>11. Does the reporting entity include in its RSSI the acquisition-in-process costs of its national defense PP&E? (SFFAS 8, par. 67; SFFAS 11, par. 16 & 22 - 24)</p>		

¹ This is historical cost plus costs of additions, improvements, alterations, rehabilitation, or replacements that extend useful life.

² This is the latest invoice price of the most recent like item purchased.

Section X Supplementary Information

Required Supplementary Stewardship Information: Property, Plant, and Equipment (1 - 19)	Yes, No, or N/A	Explanation
<p>12. Does the reporting entity include, at a minimum, in its RSSI the following information about its national defense PP&E?</p> <ul style="list-style-type: none"> a. a description of major types of national defense PP&E including assigned values and valuation method b. a description of the methods of acquisition and withdrawal at the major program or category level c. beginning value d. value added e. value withdrawn f. revaluations g. ending value h. the overall condition of the assets (unless this is already reported elsewhere in the report, in which case a note will suffice) i. a reference to the applicable information if deferred maintenance is reported for the assets (SFFAS 8, par. 17 & 68; SFFAS 11, par. 16 & 22 – 24; SFFAS 14, par. 10; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 77) 		
<p>13. Are federal land and land rights not acquired for or in connection to items of general PP&E reported as stewardship land in the RSSI of the financial statements? (SFFAS 8, par. 73 - 74)</p>		

Section X Supplementary Information

Required Supplementary Stewardship Information: Property, Plant, and Equipment (1 - 19)	Yes, No, or N/A	Explanation
<p>14. Is stewardship land quantified and reported in terms of physical units (e.g., acres) in the RSSI rather than as monetary amounts? (SFFAS 8, par. 75 - 76, 125, & 126; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 77)</p>		
<p>15. If a structure acquired with stewardship land has a significant operating use (e.g., a recently constructed hotel or employee-housing block), is its cost capitalized and treated as general PP&E? (SFFAS 8, par. 78)</p>		
<p>16. If the fair value of stewardship land acquired through donation or devise is known and material, is it disclosed in the notes to the financial statements? (SFFAS 8, par. 79)</p>		
<p>17. If the fair value of the stewardship land acquired through donation or devise is not estimable, is information as to the type and quantity of the assets disclosed? (SFFAS 8, par. 79)</p>		
<p>18. Are costs incurred to prepare stewardship land for its intended use expensed as a part of the cost of stewardship land? (SFFAS 8, par. 80)</p>		

Section X Supplementary Information

Required Supplementary Stewardship Information: Property, Plant, and Equipment (1 - 19)	Yes, No, or N/A	Explanation
<p>19. With regard to stewardship land, does the reporting entity include in its RSSI the following information?</p> <ul style="list-style-type: none"> a. the number of physical units of stewardship land broken out by principal organization and category of major use b. acquisitions, withdrawals, and ending balances broken out by major categories c. methods of acquisition and withdrawal of stewardship land d. the condition of the stewardship land, unless it is already reported elsewhere in the report (in which case a reference to the information will suffice) e. a reference to the applicable information if deferred maintenance is reported for the assets. (SFFAS 8, par. 81; SFFAS 14, par. 10; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 77) 		

Section X Supplementary Information

Required Supplementary Stewardship Information: Stewardship Investments (20 – 41)	Yes, No, or N/A	Explanation
		<p><i>Stewardship investments are made by the federal government for the benefit of the nation. When incurred, they are treated as expenses in calculating net cost, but they are also separately reported as RSSI to highlight their long-term benefit. (OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 76 & 77)</i></p> <p><i>Stewardship investment includes:</i></p> <ul style="list-style-type: none"> - <i>federally financed purchases, construction, or major renovation or physical property, including major equipment owned by state and local governments (i.e., grants for nonfederal physical property)</i> - <i>expenses incurred for education and training programs (except those for federal civilian and military personnel) that are intended to increase or maintain national productive capacity (i.e., human capital costs)</i> - <i>expenses incurred to support the search for new or refined knowledge and ideas and their application in order to increase or maintain national productive capacity or yield other future benefits (i.e., research and development costs). (SFFAS 8, par. 83, 89, 90, & 96; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 78)</i>
<p>20. Are nonfederal physical property investments reported in nominal dollars on the basis of "expenses incurred" and measured on the same basis of accounting used for financial statement purposes? (SFFAS 8, par. 84)</p>		

Section X Supplementary Information

Required Supplementary Stewardship Information: Stewardship Investments (20 – 41)	Yes, No, or N/A	Explanation
<p>21. Are investments in nonfederal physical property and related cash grants recognized and reported as expenses in arriving at the net cost of operations? (SFFAS 8, par. 85; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 78)</p>		
<p>22. Does the reporting entity provide in its RSSI a narrative description and nominal dollar breakout by meaningful category of expenses incurred for programs that fund the purchase, renovation, and replacement of PP&E owned by state and local governments for the year being reported on as well as at least the preceding 4 years?³ (SFFAS 8, par. 84 - 87 & 122; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 79)</p>		
<p>23. Does the reporting entity also include in its RSSI a description of federally owned physical property transferred to state and local governments for the year being reported on as well as at least the preceding 4 years?⁴ (SFFAS 8, par. 87 & 128; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 79)</p>		

³ This 4-year rule goes into full effect beginning with the fiscal year 2002 financial statements. Until then entities need only report prior-year data that are available. (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 77)

⁴ OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 77.

Section X Supplementary Information

Required Supplementary Stewardship Information: Stewardship Investments (20 – 41)	Yes, No, or N/A	Explanation
<p>24. If expense data for the purchase of PP&E for state and local governments for the year being reported and for the preceding 4 years⁵ are not available, does the entity report outlay data, if available? (SFFAS 8, par. 87)</p>		
<p>25. If neither historical expense nor outlay data are available for the year being reported on and the preceding 4 years,⁶ has the entity begun to report expense data for the current year? (SFFAS 8, par. 87)</p>		
<p>26. Are expenses incurred for program costs, contracts, or grants with split purposes⁷ reported in RSSI on the basis of a logical allocation? (SFFAS 8, par. 86, 92, & 98)</p>		
<p>27. If an allocation of costs is not feasible, are the total expenses reported on the basis of the predominant application of the costs incurred for investments in nonfederal physical property, human capital, and research and development? (SFFAS 8, par. 86, 92, & 98)</p>		

⁵ OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 77.

⁶ OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 77.

⁷ These are grants split among investments in nonfederal physical property, human capital, and research and development.

Section X Supplementary Information

Required Supplementary Stewardship Information: Stewardship Investments (20 – 41)	Yes, No, or N/A	Explanation
<p>28. Does the entity report in its RSSI the amounts of significant contributions from state, local, private, and other sources to its investments in nonfederal physical property, human capital, and research and development? (This is not required, but encouraged.) (SFFAS 8, par. 88, 95, & 101)</p>		
<p>29. Is the investment in human capital based on expenses incurred, measured, and accounted for in accordance with SFFAS 4? (SFFAS 8, par. 91)</p>		
<p>30. Does the reporting entity include in its RSSI the dollar amount and a narrative description of its "investment in human capital" for the year being reported on as well as the preceding 4 years?⁸ (SFFAS 8, par. 91 & 94; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 79)</p>		
<p>31. Does the entity link its investments in human capital to outcomes that can be described in financial, economic, or quantitative terms? (SFFAS 8, par. 93; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 76)</p>		
<p>32. If outcome data are not available, does the reporting entity report output data that best provide indications of the intended program outcomes? (SFFAS 8, par. 93)</p>		

⁸ This 4-year rule goes into full effect beginning with the fiscal year 2002 financial statements. Until then entities need only report prior-year data that are available. (OMB Bull. 97-01, p. 79)

Section X Supplementary Information

Required Supplementary Stewardship Information: Stewardship Investments (20 - 41)	Yes, No, or N/A	Explanation
<p>33. If expense data for the investments in human capital for the year being reported and for the preceding 4 years are not available, does the entity report outlay data, if available? (SFFAS 8, par. 94)</p>		
<p>34. If neither historical expense nor outlay data for the investments in human capital are available for the year being reported on and the preceding 4 years, has the entity begun to report expense data for the current year? (SFFAS 8, par. 94)</p>		
<p>35. Is expense or outlay data for investments in human capital reported at a meaningful category or level (e.g., by major program or department)? (SFFAS 8, par. 94)</p>		
<p>36. Is the investment in research and development based on expenses incurred, measured, and accounted for in accordance with SFFAS 4? (SFFAS 8, par. 97)</p>		
<p>37. Does the entity link its investments in research and development to program outcome data (e.g., narrative discussions of major discoveries and applications) that can be described in financial, economic, or quantitative terms? (SFFAS 8, par. 93 & 99; OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 78 & 79)</p>		

Section X Supplementary Information

Required Supplementary Stewardship Information: Stewardship Investments (20 – 41)	Yes, No, or N/A	Explanation
<p>38. If outcome data are not available, does the reporting entity use output (e.g., number of publications, patents, scientific and engineering personnel funded) data that best provide indications of the intended program outcomes? (SFFAS 8, par. 99)</p>		
<p>39. Does the reporting entity include in its RSSI the dollar amount and a narrative description of its investment in major research and development programs for the year being reported on as well as the preceding 4 years?⁹ (SFFAS 8, par. 100; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 79)</p>		
<p>40. If expense data for the investments in research and development for the year being reported and for the preceding 4 years are not available, does the entity report outlays, if available? (SFFAS 8, par. 100)</p>		
<p>41. If neither historical expense nor outlay data are available for the year being reported on and the preceding 4 years, has the entity begun to report expense data for the current year? (SFFAS 8, par. 100)</p>		

⁹ This 4-year rule goes into full effect beginning with the fiscal year 2002 financial statements. Until then entities need only report prior-year data that are available. (OMB Bull. 97-01, p. 79)

Section X Supplementary Information

Required Supplementary Stewardship Information: Risk Assumed Information (42 - 46)	Yes, No, or N/A	Explanation
		<p><i>An assessment of stewardship responsibilities has two major components:</i></p> <ul style="list-style-type: none"> - <i>risk-assumed information, which is generally measured by the present value of unpaid expected losses net of associated premiums (but not yet recognized as a contingent liability) based on the risk inherent in the insurance or guarantee coverage in force (SFFAS 5, par. 105 & 106; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 79) and</i> - <i>current services assessments, which provide receipt and outlay data on the basis of projections of future activities. Data on current service assessments would be presented as RSSI accompanying the consolidated financial statements of the federal government. (SFFAS 8, par. 101, 102, & 105)</i>
<p>42. Does the entity include in RSSI the current amount and periodic changes of "risk assumed" arising from insurance and guarantee programs? (SFFAS 5, par. 105, 106, 110; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 79)</p>		
<p>43. Does the current service assessment provide a summary of projected outlays for the current base year and at least 6 years subsequent to the base year for defense, Social Security, Medicare, net interest functions, etc.? (SFFAS 8, par. 103)</p>		
<p>44. Does the current service assessment identify estimated receipts by major source (e.g., income taxes, social insurance taxes) that will be used to fund projected outlays for the current base year and 6 subsequent years? (SFFAS 8, par. 103)</p>		

Section X Supplementary Information

Required Supplementary Stewardship Information: Risk Assumed Information (42 - 46)	Yes, No, or N/A	Explanation
45. Does the current service assessment also provide an estimate of the current and projected (over the subsequent 6 years) deficit or surplus of receipts? (SFFAS 8, par. 103)		
46. Are current service assessment data included in the consolidated financial report of the U.S. government identical to the projected data published in the President's Budget for the same period (i.e., the base year [or last completed fiscal year] and 6 years subsequent to the base year)? (SFFAS 8, par. 104)		

Section X Supplementary Information

Required Supplementary Information: Custodial Activity (47 – 48)	Yes, No, or N/A	Explanation
<p>47. Do entities that collect taxes and duties provide the following supplementary information?</p> <ul style="list-style-type: none"> a. a discussion of the factors affecting the collectability of compliance assessments recognized as taxes receivable b. if reasonably estimable, claims for refunds not yet accrued but likely to be paid when administrative action is complete c. management's best estimates of unasserted claims for refunds d. amount of assessments defined as written-off (i.e., no further collection potential) that continues to be statutorily collectable e. amounts by which related trust funds may be overfunded or underfunded in comparison with the requirements of the law, if reasonably estimable (SFFAS 7, par. 67.1 - 67.4, 106, & 177; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 80) 		
<p>48. If the entity receiving funds from the collecting entity is itself a trust fund, does it provide as supplementary information amounts by which related trust funds may be overfunded or underfunded in comparison with the requirements of the law, if reasonably estimable? (SFFAS 7, par. 67.4, 68, & 177; OMB Bull. 97-01 as amended (Jan.7, 2000), p. 80)</p>		

Section X Supplementary Information

Required Supplementary Information: Segment Information (49 - 50)	Yes, No, or N/A	Explanation
<p>49. Do all franchise and other intragovernmental support revolving funds report the following supplementary information?</p> <ul style="list-style-type: none"> a. a brief description of the services provided by the fund and the identity of the fund's major customers (i.e., organizations that account for more than 15 percent of the fund's revenues) b. a summary for the reporting period, by product or line of business, including the following items <ul style="list-style-type: none"> i. the full cost of goods and services provided ii the related exchange revenues iii the excess of costs over exchange revenues (OMB Bull. 97-01 as amended (Jan. 7, 2000), pp. 80 & 81) 		

Section X Supplementary Information

Required Supplementary Information: Segment Information (49 - 50)	Yes, No, or N/A	Explanation
<p>50. If a franchise fund or other intragovernmental support revolving fund is not separately reported on the entity's principal statements, does the entity report as Required Supplementary Information a summary of the fund's assets, liabilities, and net position that includes the following items as of the reporting date?</p> <ul style="list-style-type: none"> a. fund balance b. accounts receivable c. property, plant, and equipment d. other assets e. liabilities due and payable for goods and services received f. deferred revenues g. other liabilities and cumulative results of operations (OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 80) 		

Section X Supplementary Information

Required Supplementary Information Deferred Maintenance (51 - 54)	Yes, No, or N/A	Explanation
		<p><i>Maintenance is the act of keeping fixed assets in acceptable condition. Maintenance includes preventive maintenance, normal repairs, replacement of parts and structural components, and other activities needed to preserve the asset so that it continues to provide acceptable services and achieves its expected life.</i></p> <p><i>Maintenance excludes activities aimed at expanding the capacity of an asset or otherwise upgrading it to serve needs different from, or significantly greater than, originally intended. (SFFAS 6, par. 78)</i></p> <p><i>Deferred maintenance is maintenance that was not performed when it should have been, or was scheduled to be, and that, therefore, is put off or delayed for a future period. (SFFAS 6, par. 77)</i></p>
<p>51. Does the entity report under required supplementary information the following information for each major category of its PP&E (i.e., general, national defense, heritage, and stewardship)?</p> <ul style="list-style-type: none"> a. the identity (e.g., building, equipment, land) of each major class of asset for which maintenance was deferred b. the method of measuring deferred maintenance (SFFAS 6, par. 21, 83, & 171 -178; SFFAS 11, par. 7; SFFAS 14, par. 1; OMB Bull. 97-01 as amended (Jan. 7, 2000), p. 73) 		

Section X Supplementary Information

Condition assessment surveys are periodic inspections of PP&E - based on generally accepted and consistently applied method - to determine PP & E's current condition and the estimated cost to correct any deficiencies. (SFFAS 6, par. 81)

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| <p>52. If the condition assessment survey method is used to measure deferred maintenance, is the following information presented for each major class of PP&E?</p> <ul style="list-style-type: none"> a. a description of requirements or standards for acceptable operating condition b. any changes in the condition requirements or standards c. asset condition and a range estimate of the dollar amount of maintenance needed to return it to its acceptable operating condition (SFFAS 6, par. 80, 83, & 233) | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|

Section X Supplementary Information

Life-cycle costing is an acquisition or procurement technique that considers operating, maintenance, and other costs in addition to the acquisition cost of assets. (SFFAS 6, par. 82)

<p>53. If the total life-cycle cost method is used to measure deferred maintenance, is the following information presented for each major class of PP&E?</p> <ul style="list-style-type: none"> a. the original date of the maintenance forecast and an explanation for any changes to the forecast b. prior-year balance of the cumulative deferred maintenance amount c. the dollar amount of maintenance that was defined by the professionals who designed, built, or managed the PP&E as required maintenance for the reporting period d. the dollar amount of maintenance actually performed during the period e. the difference between the forecast and actual maintenance f. any adjustments to the scheduled amounts deemed necessary by the managers of the PP&E g. the ending cumulative balance for the reporting period for each major class of asset experiencing deferred maintenance (SFFAS 6, par. 83) 		
<p>54. If management elects to break out deferred maintenance by critical and noncritical amounts needed to bring each class of asset to its acceptable operating condition, does it also include its definition of these categories? (SFFAS 6, par. 84)</p>		

Section X Supplementary Information

Required Supplementary Information: Intragovernmental Amounts (55 – 67)	Yes, No, or N/A	Explanation
<p><i>Intragovernmental amounts represent transactions between federal entities included in the Financial Report of the United States Government. These transactions include activity (consolidated or net of intra-entity transactions) with federal CFO Act and non-CFO Act entries as identified in the Treasury Financial Manual. The intragovernmental supplementary information may be limited to the consolidated agencywide financial statements of the 24 executive departments and agencies covered by appendix A of OMB Bulletin No. 98-08. (Attachment to OMB Memo M-00-05, of Jan. 7, 2000, Technical Amendments to OMB Bull. 97-01, pp. 3 & 4</i></p>		
<p>55. Does the entity report as required supplementary information and intragovernmental amounts for the following items?</p> <ul style="list-style-type: none"> a. assets b. liabilities c. nonexchange revenue d. for certain reporting entities, earned revenue from trade (buy/sell) transactions along with the gross cost to generate such revenue (Attachment to OMB Memo M-00-05, of Jan. 7, 2000, <i>Technical Amendments to OMB Bull. 97-01</i>, p. 3, 5th par.) 		
<p>56. Does the entity report intragovernmental assets, liabilities, and earned revenue from trade transactions and nonexchange revenue by trading partner (reciprocal federal entity)? (Attachment to OMB Memo M-00-05, of Jan. 7, 2000, <i>Technical Amendments to OMB Bull. 97-01</i>, p. 3)</p>		

Section X Supplementary Information

Required Supplementary Information: Intragovernmental Amounts (55 – 67)	Yes, No, or N/A	Explanation
<p>57. Does the entity report intragovernmental gross cost to generate earned revenue from trade transactions by budget functional classification? (Attachment to OMB Memo M-00-05, of Jan. 7, 2000, <i>Technical Amendments to OMB Bull. 97-01</i>, p. 3)</p>		
<p>58. Do intragovernmental asset and liability categories reported as requiring supplementary information agree with the intragovernmental asset and line items reported on the balance sheet? (Attachment to OMB Memo M-00-05, of Jan. 7, 2000, <i>Technical Amendments to OMB Bull. 97-01</i>, p. 3)</p>		
<p>59. Are transactions with components of federal departments and agencies (e.g., Forest Service of the USDA) included in the activity reported for the federal department or agency? (Attachment to OMB Memo M-00-05, of Jan. 7, 2000, <i>Technical Amendments to OMB Bull. 97-01</i>, p. 4)</p>		

Section X Supplementary Information

Required Supplementary Information: Intragovernmental Amounts (55 – 67)	Yes, No, or N/A	Explanation
<p>60. Does the entity reconcile the following amounts with its trading partners?</p> <ul style="list-style-type: none"> a. investments in federal securities issued by the Department of the Treasury, Bureau of the Public Debt b. borrowings from Treasury and the Federal Financing Bank c. transactions with the Department of Labor relating to the Federal Employees Compensation Act d. transactions with the Office of Personnel Management relating to employee benefit programs (Attachment to OMB Memo M-00-05, of Jan. 7, 2000, <i>Technical Amendments to OMB Bull. 97-01</i>, p. 4, 3rd par.) 		
<p>61. Does the entity also reconcile intragovernmental asset, liability, and revenue amounts¹⁰ with its trading partners at least annually as of the fiscal year end? (Attachment to OMB Memo M-00-05, of Jan. 7, 2000, <i>Technical Amendments to OMB Bull. 97-01</i>, p. 4, 4th par.)</p>		

¹⁰ Balances reported for other asset or liability categories and individual transactions that collectively comprise less than 20 percent of the total asset and liability categories may be excluded from reconciliation.

Section X Supplementary Information

Required Supplementary Information: Intragovernmental Amounts (55 – 67)	Yes, No, or N/A	Explanation
<p>62. Do intragovernmental assets and liabilities reported as required supplementary information agree with the intragovernmental asset and liability line items and totals on the reporting entity’s consolidated agencywide balance sheet? (Attachment to OMB Memo M-00-05, of Jan. 7, 2000, <i>Technical Amendments to OMB Bull. 97-01</i>, pp. 5 & 6)</p>		
<p>63. For each intragovernmental asset and liability line item on the consolidated agencywide balance sheet, does the entity identify in the supplementary information the trading partner balances that make up the line item?¹¹ (Attachment to OMB Memo M-00-05, of Jan. 7, 2000, <i>Technical Amendments to OMB Bull. 97-01</i>, pp. 5 & 6)</p>		
<p>64. If intragovernmental transactions with a trading partner are material in one asset or liability category but immaterial in another category, does the entity report transactions with the trading partner for each category? (Attachment to OMB Memo M-00-05, of Jan. 7, 2000 <i>Technical Amendments to OMB Bull. 97-01</i>, 2000, pp. 5 & 6)</p>		

¹¹Reporting entities may aggregate trading partners whose individual totals for a particular asset category collectively comprise less than 20 percent of the total line item category.

Section X Supplementary Information

Required Supplementary Information: Intragovernmental Amounts (55 – 67)	Yes, No, or N/A	Explanation
<p>65. If the entity has total intragovernmental earned revenues from trade transactions (net of intra-entity activity) of greater than \$500 million, does it report such intragovernmental revenues by trading partner? (Attachment to OMB Memo M-00-05, of Jan. 7, 2000, <i>Technical Amendments to OMB Bull. 97-01</i>, p. 7)</p>		
<p>66. If the entity reports intragovernmental earned revenues, does it also report, by budget functional classification, the gross cost of goods, services, and other transactions that generated the intragovernmental earned revenues? (Attachment to OMB Memo M-00-05, of Jan. 7, 2000, <i>Technical Amendments to OMB Bull. 97-01</i>, p. 7)</p>		
<p>67. Does the entity report, by trading partner, intragovernmental nonexchange revenues transferred in and out? (Attachment to OMB Memo M-00-05, of Jan. 7, 2000, <i>Technical Amendments to OMB Bull. 97-01</i>, p. 7)</p>		

Section X Supplementary Information

Required Supplementary Information Social Insurance Programs (68 - 94)	Yes, No, or N/A	Explanation
		<p><i>Social insurance programs covered by SFFAS 17, Accounting for Social Insurance, have five common characteristics. They are</i></p> <ul style="list-style-type: none"> <i>a. financing from participants or their employers;</i> <i>b. eligibility from taxes and fees paid and time worked in covered employment;</i> <i>c. benefits not directly related to taxes and fees paid;</i> <i>d. benefits prescribed in law; and</i> <i>e. programs intended for the general public.</i> <p><i>The social insurance programs specifically covered by SFFAS 17 are</i></p> <ul style="list-style-type: none"> <i>a. Old-Age, Survivors, and Disability Insurance (OASDI - i.e., Social Security);</i> <i>b. Hospital Insurance (HI or Medicare Part A) and Supplementary Medical Insurance (SMI or Medicare Part B);</i> <i>c. Railroad Retirement Benefits (RRB);</i> <i>d. Black Lung Benefits; and</i> <i>e. Unemployment Insurance (UI).</i> <p><i>The standard for consolidated governmentwide accounting and reporting for social insurance programs is the same as that for component entities unless otherwise indicated (SFFAS 17, par. 14, 15, 29, 44, 45, & app. D - glossary)</i></p>
<p>68. In general, does the entity responsible for a given social insurance program provide a clear and concise description of the program including its financing, calculation of benefits, and actuarial status? (SFFAS 17, par. 24, 110 - 112, & 131 - 149)</p>		

Section X Supplementary Information

Required Supplementary Information Social Insurance Programs (68 - 94)	Yes, No, or N/A	Explanation
<p>69. Does this description include the following information?</p> <ul style="list-style-type: none"> a. discussion of the long-term sustainability and financial condition of the program b. an illustration and explanation of the long-term trends revealed in the data (SFFAS 17, par. 24 & 80 - 85) 		
<p>70. Does the consolidated governmentwide financial report explain the relationship of the social insurance program(s) to governmentwide financing, including the intragovernmental nature of trust fund assets and government debt? (SFFAS 17, par. 31)</p>		
<p>71. Does the reporting entity describe statutory or other material changes, and implications thereof, affecting the program after the current fiscal year? (SFFAS 17, par. 24)</p>		
<p>72. Are projections and estimates based on the entity's best estimates of demographic and economic assumptions? (SFFAS 17, par. 25)</p>		
<p>73. Does the entity disclose significant assumptions used in making estimates and projections? (SFFAS 17, par. 25)</p>		

Section X Supplementary Information

Required Supplementary Information Social Insurance Programs (68 - 94)	Yes, No, or N/A	Explanation
74. Are all projections and estimates made as of a date (i.e., the valuation date) as close to the end of the fiscal year (i.e., current year) being reported on as possible and no more than one year prior to the end of the current year? (SFFAS 17, par. 26)		
75. Does the entity consistently follow this valuation date from year to year? (SFFAS 17, par. 26)		
76. Does information on the financial and actuarial status of the social insurance programs include actuarial projections that are indicative of long-term sustainability and show the annual cash flows in nominal dollars for current and future participants? (SFFAS 17, par. 27 (1))		
77. Are the actuarial projections of cash flow amounts reported for at least every fifth year in the projection period? (SFFAS 17, par. 17 (1) (a))		
78. Does the cash flow information show the following amounts? a. total cash inflow from all sources (i.e., by and on behalf of participants) less net interest on intragovernmental borrowing and lending b. total cash outflow (SFFAS 17, par. 27 (1) (a))		

Section X Supplementary Information

Required Supplementary Information Social Insurance Programs (68 - 94)	Yes, No, or N/A	Explanation
<p>79. When cash flow projections are made for the consolidated governmentwide entity, is interest on intragovernmental borrowing and lending excluded? (SFFAS 17, par. 32)</p>		
<p>80. Does the narrative accompanying the cash flow data include identification of any year or years during the projection period when cash outflow exceeds cash inflow, with and without interest, on intragovernmental borrowing or lending? (SFFAS 17, par. 27 (1) (a), 87, 88, 116, & 117)</p>		
<p>81. Does the narrative provide an explanation of the significance of the cash flow “cross-over points” where cash outflows begin exceeding cash inflows? (SFFAS 17, par. 27 (1) (a) & 32 (1) (a))</p>		
<p>82. Do the cash flow projections (net of interest on intragovernmental borrowing/lending) for Medicare Part A (HI) and Social Security (OASDI) include an estimate of cash flows as a percentage of taxable payroll? (SFFAS 17, par. 27 (1) (b), 89, 118 - 120, & app. D - glossary)</p>		
<p>83. Do the cash flow projections (net of interest on intragovernmental borrowing/lending) for HI, OASDI, and Medicare Part B (SMI) include an estimate of cash flows as a percentage of gross domestic product? (SFFAS 17, par. 27 (1) (b), 46, 47, 89, & 121 - 122 & app. D - glossary)</p>		

Section X Supplementary Information

Required Supplementary Information Social Insurance Programs (68 - 94)	Yes, No, or N/A	Explanation
<p>84. Does the entity disclose its estimate of the ratio of the number of contributors to the number of beneficiaries during the same projection period as for cash flow projections (e.g., 75 years)? (SFFAS 17, par. 27 (2), 90, & 130)</p>		
<p>85. At a minimum, is the ratio of contributors to beneficiaries reported for the beginning and end of the projection period? (SFFAS 17, par. 27 (2))</p>		
<p>86. For all enumerated social insurance programs except Unemployment Insurance (UI), does the responsible entity present a statement of actuarial present values of the following items?</p> <ul style="list-style-type: none"> a. all future expenditures during the projection period related to benefit payments <ul style="list-style-type: none"> i. to or on behalf of current participants who have not yet attained retirement age ii. to or on behalf of current participants who have attained retirement age iii. to or on behalf of those who are expected to become plan participants b. all future contributions and tax income from or on behalf of current and future participants described in “a” c. cash flow derived from subtracting “b” from “a” <p>(SFFAS 17, par. 27 (3) (a) - (g), 40 - 42, 91 - 103, & 115)</p>		

Section X Supplementary Information

Required Supplementary Information Social Insurance Programs (68 - 94)	Yes, No, or N/A	Explanation
<p>87. With the exception of Unemployment Insurance (UI), does the entity disclose in the notes of the fund balance, as of the valuation date, the accumulated excess of all past cash receipts, including interest on investments over all cash disbursements? (SFFAS 17, par. 27 (2) (a) & (3) (h), 42, & 113)</p>		
<p>88. Does the entity also disclose how it calculated the actuarial net present value of future benefits and contributions from or on behalf of current participants of all social insurance programs but UI? (SFFAS 17, par. 27 (2) (a) & (3) (i))</p>		
<p>89. If available, does the entity provide estimates of the actuarial present values and fund balances of the social insurance programs (except UI) under its purview for each of the 4 preceding years? (SFFAS 17, par. 27 (3) (j) & 28)</p>		
<p>90. For all social insurance programs except UI, does the responsible entity illustrate the sensitivity of the projections of cash flows and actuarial present values to changes in the most significant individual assumptions? (SFFAS 17, par. 27 (4) (a), 48, 49, & 123 - 129)</p>		

Section X Supplementary Information

Required Supplementary Information Social Insurance Programs (68 – 94)	Yes, No, or N/A	Explanation
<p>91. At a minimum, do the Social Security and Medicare programs analyze assumptions regarding the following factors?</p> <ul style="list-style-type: none"> a. birth and death rates b. net immigration c. real wage differential d. real interest rate <p>(SFFAS 17, par. 27 (4) (a) & 123 - 129)</p>		
<p>92. Does the sensitivity analysis for UI programs show the effects of increasing the unemployment rate as follows?</p> <ul style="list-style-type: none"> a. by approximately 1 percentage point b. to a level that puts significant stress on the system (e.g., to simulate the largest recession occurring within the last 25 years) <p>(SFFAS 17, par. 27 (4) (b) & 159 - 160)</p>		
<p>93. Does information on the UI program provide a state-by-state analysis of the relative solvency of individual state programs, including the ratio of each state's current accumulated fund balance to the highest level of annual benefit payments experienced by that state over the last 20 years? (SFFAS 17, par. 27 (5) & 159 - 160)</p>		

Section X Supplementary Information

Required Supplementary Information Social Insurance Programs (68 - 94)	Yes, No, or N/A	Explanation
<p>94. Does the consolidating entity break out and separately identify, at a minimum, the following information on social insurance programs?</p> <ul style="list-style-type: none"> a. cash flow projections net of intragovernmental borrowing and lending for, at a minimum, the OASDI, HI, and SMI programs b. net cash flows as a percentage of taxable payroll for OASDI and HI c. net cash flows as a percentage of gross domestic product (GDP) for the Social Security and Medicare programs d. the ratio of contributors to beneficiaries for OASDI and HI e. the actuarial present values for all covered social insurance programs (except UI) for the current and preceding 4 years f. sensitivity analyses for all social insurance programs including OASDI, HI, SMI, and UI g. a state-by-state analysis of the UI program (SFFAS 17, par. 32) 		

Section X Supplementary Information

Required Supplementary Information: Management Discussion and Analysis (95 - 101)	Yes, No, or N/A	Explanation
<p>95. Does the entity include as required supplementary information management discussion and analysis (MD&A) of the financial statements and related information? (SFFAS 15, par. 1, 12, & 13; SFFAC 3, par. 1 & 2)</p>		
<p>96. Does the MD&A provide a clear and concise description of the reporting entity and its mission, activities, program and financial performance, systems controls, legal compliance, financial position, and financial condition? (SFFAS 15, par. 2; SFFAC 3, par. 1)</p>		
<p>97. Is the MD&A balanced, providing both positive and negative information? (SFFAS 15, par. 1; SFFAC 3, par. 29)</p>		
<p>98. Does the MD&A contain sections that discuss the following information about the entity?</p> <ul style="list-style-type: none"> a. mission and organizational structure b. performance goals, objectives, and results c. financial statements and d. systems, controls and legal compliance (SFFAS 15, par. 2; SFFAC 3, par. 9, 11, 13, 15 - 17, 25 - 27, & 42 - 49) 		

Section X Supplementary Information

Required Supplementary Information: Management Discussion and Analysis (95 - 101)	Yes, No, or N/A	Explanation
<p>99. Does the MD&A include forward-looking information regarding the possible future effects of the most important currently known demands, risks, uncertainties, events, conditions, and trends? (SFFAS 15, par. 3 & 21; SFFAC 3, par. 6, 9, 14, & 30 - 36)</p>		
<p>100. Does the MD&A discuss important problems that need to be addressed as well as actions that have been taken or planned? (SFFAS 15, par. 4; SFFAC 3, 40 & 41)</p>		
<p>101. Does the MD&A limit itself to the most important matters that could, for example, contribute the following results?</p> <ul style="list-style-type: none"> a. lead to significant actions or proposals by top management of the reporting unit b. be significant to the managing, budgeting, and oversight functions of Congress and the administration c. significantly affect the judgment of citizens about the efficiency and effectiveness of their federal government (SFFAS 15, par. 5 & 6; SFFAC 3, par. 28 & 29) 		

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Reporting

1005 - SUBSEQUENT EVENTS REVIEW

- .01 This section deals with the subsequent events review that the auditor is required to perform as part of the audit, as described in section 550. AU 560 describes and provides guidance on the types of subsequent events requiring evaluation by the auditor as well as the procedures that generally should be performed to discover whether such events have occurred.
- .02 Subsequent events are those events or transactions that may occur or become known subsequent to the date of the financial statements but before the audit report is issued and that have a material effect on the financial statements and thus require adjustment or disclosure.
- .03 Two types of subsequent events may occur:
- Events occurring after the date of the financial statements that provide additional information about conditions existing at the date of the financial statements and that affect amounts recorded (or which should be recorded) in the financial statements. For example, a subsequent event may reveal that an accounting estimate is materially incorrect and that the financial statements should be adjusted.
 - Events occurring after the date of the financial statements that provide information about conditions that did not exist at the date of the financial statements. These events should not result in adjustments to the financial statements, but disclosure of them may be necessary to prevent the statements from being misleading. For example, a fire or flood after year-end may cause a significant loss.
- .04 The purpose of a subsequent events review is to determine whether all subsequent events that have a material effect on the financial statements have been considered and treated appropriately in the financial statements. The subsequent period covered is from the date of the financial statements to the date of the audit report, which is the date of the completion of fieldwork.

AUDIT PROCEDURES

- .05 At or near the completion of fieldwork, the auditor generally should perform specific procedures to be satisfied that he or she is aware of all subsequent events that may require adjustment to or disclosure in the financial statements. These procedures are in addition to substantive tests that may

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1005 - Subsequent Events Review

be applied to transactions occurring after the date of the financial statements, such as examining subsequent disbursements to test completeness of accounts payable. The following program describes audit procedures that may be performed as part of a subsequent events review. The procedures generally should be customized for the particular audited entity.

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Entity_____

Period of financial statements_____

Job code_____

<p align="center">Subsequent Events Review Program Audit procedure</p>	<p align="center">Done by/date</p>	<p align="center">W/P ref</p>
<p>I. Read Interim Financial Statements</p> <p>A. Compare the latest available interim financial statements, if any, with the financial statements under audit to identify any unusual adjustments and investigate any significant variations.</p> <p>B. Inquire as to whether the interim statements have been prepared on the same basis as the annual statements.</p> <p>C. For items in the statement of net costs, compare to similar interim financial statements of the prior year; consider expectations and investigate any significant variations.</p> <p>D. If interim financial statements are not available:</p> <ol style="list-style-type: none"> 1. Compare interim internal financial reports or analyses, budgets, or cash-flow forecasts, considering any adjustments to the internal reports that may be necessary to make meaningful comparisons. 2. Review the accounting records prepared since the date of the financial statements for material transactions that may require adjustment to or disclosure in the financial statements, such as by scanning the general ledger and/or journals for material, unusual entries. 		

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<p align="center">Subsequent Events Review Program Audit procedure</p>	<p align="center">Done by/date</p>	<p align="center">W/P ref</p>
<p>II. Make Inquiries of Management as to:</p> <ul style="list-style-type: none"> A. Whether any significant contingent liabilities or commitments existed at the date of the financial statements or at the date of the inquiry. B. Whether any significant changes occurred in the financial condition of the entity or in net position or long-term debt. C. The current status of items in the financial statements that were accounted for on the basis of tentative, preliminary, or inconclusive data. D. Whether any significant changes in estimates were made with respect to amounts included or disclosed in the financial statements, or any significant changes in assumptions or factors were considered in determining estimates. E. Whether any unusual adjustments have been made during the period from the date of the financial statements to the date of inquiry. F. Whether any significant events occurred subsequent to the date of the financial statements, such as commitments or plans for major capital expenditures; lawsuits filed or settled other than those disclosed in the lawyers' letters; changes in accounting and financial policies; or losses as a result of fire, flood, or other disaster. 		

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<p align="center">Subsequent Events Review Program Audit procedure</p>	<p align="center">Done by/date</p>	<p align="center">W/P ref</p>
<p>III. Read Minutes</p> <p>A. Read the available minutes of meetings of agency management committees or other appropriate groups, including the period after the date of the financial statements, for information about events or transactions authorized or discussed which may require adjustment to or disclosure in the financial statements.</p> <p>B. With regard to meetings for which no minutes are available, inquire about matters dealt with at such meetings and conclusions reached.</p>		
<p>IV. Cover Subsequent Events in Lawyers' Letters</p> <p>A. Confirm litigation, claims, and assessments with the entity's legal counsel. See section 550 and AU 337.</p>		
<p>V. Cover Subsequent Events in Management Representation Letter</p> <p>A. Have management include representations in its management representation letter as to whether any events occurred subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements. See section 1001.</p>		

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Subsequent Events Review Program Audit procedure	Done by/date	W/P ref
<p>VI. Other</p> <p>A. Use other sources of information to learn of subsequent events, such as:</p> <ol style="list-style-type: none"> 1. Talk to inspector general or internal audit department. 2. Talk to program divisions. 3. Read newspapers. <p>B. Make additional inquiries or perform additional procedures deemed necessary to resolve any questions raised in the foregoing audit steps.</p> <p>C. Prepare a summary memo documenting the results of the above and conclusions reached.</p>		

Reporting

1006 - RELATED PARTIES REVIEW

- .01 This section deals with the related parties work that the auditor is required to perform as part of the audit, as described in sections 280 and 550. AU 334 provides guidance on the work that should be done to identify related party relationships and transactions so that the auditor may satisfy him or herself that they are appropriately accounted for and disclosed.
- .02 The reason for disclosing related party information is that the user of the financial statements may need that information to make appropriate decisions. If parties are related, the transactions between them may not be based on an arm's length relationship. For example, if the entity has transactions with another entity based on a common control situation, the users of financial statements should know that.
- .03 Information on accounting and disclosure of related party relationships and transactions are in FASB Statement Number 57 (AC section R36 in the *Current Text*). Related parties include affiliates of the audited entity; pension plans managed by the entity; management; management's immediate families; other parties that can significantly influence the management or operating policies of the audited entity (or those which can be influenced by it). Transactions between related parties often occur in the normal course of business. They are considered related party transactions even if they are not given accounting recognition, such as when an entity receives services from a related party without charge.
- .04 In the federal government, the major related parties relate to the rest of the federal government. This would include the provision of services to the agency by other agencies, with or without a transfer of funds, such as the General Service Administration, the Department of Labor for workers' compensation, the Department of Agriculture payroll functions, pension plans and other retiree benefits from the Office of Personnel Management, administration of legal actions by the Justice Department, and the use of public funding, including public borrowings which may in part be attributable to the agency. Examples of transactions with governmental related parties include transactions related to donated space, detailees, and intragovernmental receivables and payables.
- .05 Other possible related parties outside of government would be management and individuals and firms with which members of management may be

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related. These relationships may be detected by reviewing financial disclosure statements. Work done to test transactions with such parties should be coordinated with sensitive payments work, as discussed in paragraph 280.05.

- .06 The auditor also should be aware of and inquire about other parties that may or may not be related parties, but that should be disclosed because of a public perception that they may be related. Even if they are not related parties, or if there may be some question as to whether they are related, the relationship that does exist should be disclosed. For example, organizations exist with names and missions similar to legislative service organizations on Capital Hill, and disclosure of these organizations improves the legislative service organizations' disclosure.
- .07 Disclosures generally should include disclosure of the nature of the relationship between the entity and its related parties, a description of the transactions, including donations, dollar amounts of transactions that occurred during the period, and amounts due to or from related parties as of the end of the period. Disclosures could include aggregation of similar transactions by type; sometimes the disclosure of the relationship may be enough. In cases of common control relationships, the nature of the control relationship generally should be disclosed even though there are no transactions between the entities.
- .08 Disclosure of related party transactions is not required for transactions between parts of the audited entity that are eliminated in consolidation. However, if separate statements of the parts are issued, the disclosures should be presented.
- .09 AU 334 (SAS 45) states that the auditor should be aware that the substance of related party transactions may be different from their legal form, for example, borrowing or lending at rates or terms differing from market rates and terms, or selling property at prices differing from fair values.
- .10 The auditor should consider the possible existence of related parties and related party transactions throughout the audit to satisfy him or herself that they are properly accounted for and disclosed. The workpapers generally should include the names of related parties so all audit staff may become aware of transactions with them.

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- .11 The management representation letter should include a representation that related party transactions have been properly accounted for and disclosed. If management refuses to disclose related party transactions, the auditor generally should give a qualified or adverse opinion because of the inadequate disclosure and include the necessary disclosures in a separate paragraph in the audit report.

AUDIT PROCEDURES

- .12 Following are examples of audit procedures that may be performed. The steps should be customized for the particular audited entity.

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Entity_____

Period of financial statements_____

Job code_____

Related Parties Review Program Audit procedure	Done by/date	W/P ref
I. Planning Phase A. Consider the existence of related parties and related party transactions throughout the audit.		

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<p align="center">Related Parties Review Program Audit procedure</p>	<p align="center">Done by/date</p>	<p align="center">W/P ref</p>
<p>B. Determine the existence of related parties and identify transactions with them.</p> <ol style="list-style-type: none"> 1. Request from management the names of all related parties and inquire whether there were transactions with them during the period. 2. Identify as either a supplier or a customer the other entities the audited entity does significant business with. 3. Determine whether the audited entity receives donated services, such as space or detailed employees. 4. Review prior-year workpapers for names of known related parties. 5. Inquire of other auditors as to related parties. 6. Review financial disclosure statements of appropriate levels of management for the names of possible related parties and other entities in which members of management may occupy directorships or management positions. 7. Inquire of auditors of related entities with which the audited entity has material transactions about their knowledge of relationships and the extent of management involvement in material transactions. 		

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<p align="center">Related Parties Review Program Audit procedure</p>	<p align="center">Done by/date</p>	<p align="center">W/P ref</p>
<p>C. Identity transactions with related parties</p> <ol style="list-style-type: none"> 1. Provide audit staff with names of known related parties so they may become aware of transactions with them during the audit. 2. Review minutes of management committees for information about material transactions authorized or discussed. 3. Review financial disclosure or other conflict of interest statements of management. 4. Review the extent and nature of business with major customers, suppliers, borrowers, and lenders for indications of previously undisclosed relationships. 5. Consider whether transactions are occurring, but are not being given accounting recognition, such as receiving or providing (a) space, (b) detailees, (c) accounting, (d) management, or (e) other services at no charge. 6. Review accounting records for large, unusual, or nonrecurring transactions or balances, especially near the end of the period. 		
<p>II. Internal control phase</p> <ol style="list-style-type: none"> A. Identify the systems and controls the audited entity has in place for identifying and properly accounting for transactions with related parties. B. Determine whether the controls are in place and operating effectively. 		

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<p align="center">Related Parties Review Program Audit procedure</p>	<p align="center">Done by/date</p>	<p align="center">W/P ref</p>
<p>III. Testing phase</p> <p>A. The auditor should satisfy himself or herself about the purpose, nature, and extent of material related party transactions and their effect on the financial statements by examining selected transactions.</p> <ol style="list-style-type: none"> 1. Examine documentation, such as invoices, contracts, and receiving and shipping reports. 2. Obtain an understanding of the business purpose of the transaction. 3. Determine whether the transaction has been appropriately approved. 4. Test the compilation of amounts that may be disclosed in the financial statements for reasonableness. 5. For interagency account balances, audits generally should be performed as of concurrent dates, with appropriate exchange of relevant information. 		
<p>B. The following procedures may be considered if necessary to fully understand a particular related party transaction.</p> <ol style="list-style-type: none"> 1. Confirm transaction terms and amounts with the other party to the transaction. 2. Inspect evidence possessed by the other party. 3. Confirm or discuss significant information with intermediaries such as banks or agents. 		

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Related Parties Review Program Audit procedure	Done by/date	W/P ref
<p>IV. Reporting phase</p> <p>A. Have management include in the management representation letter a representation that related party transactions have been properly recorded and disclosed.</p> <p>B. Consider whether sufficient, competent evidential matter has been obtained for each material related party transaction, aggregation of similar transactions, or common control relationship to understand the relationship of the parties and the effects on the financial statements.</p> <p>C. Conclude whether related party transactions and control relationships have been adequately accounted for and disclosed in the financial statements.</p>		

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