



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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AOS Technical Update – February 2011
Revisions to IAR for A-133

We recently determined the fiscal year 2010 sample reports are not fully compliant with the reporting requirements of SAS 117. This Technical Update highlights the changes (noted in bold) needed to be made to A-133 audit reports for reports not yet issued. For the most part, the revisions result in adding additional restrictive language referring to compliance with requirements that *could have a direct and material effect* on each major program.

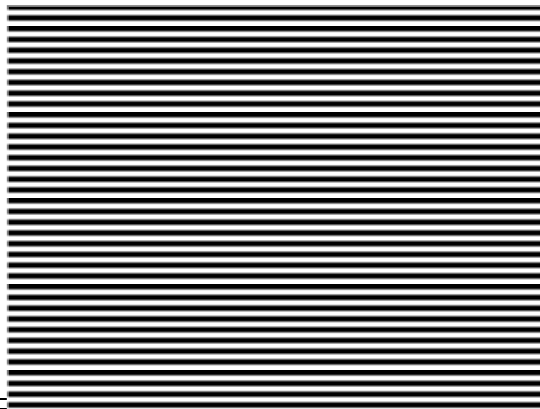
The May 1, 2010 AICPA Audit Guide Government Auditing Standards and Circular A-133 Audits (GAS and Circular A-133 Audit Guide, states, in part:

“Statement on Auditing Standards (SAS) No. 117, Compliance Audits (AICPA Professional Standards, vol. 1, AU Section 801) defines *applicable compliance requirements* as the compliance requirements that are subject to the compliance audit. According to Section 505 of Circular A-133, the auditor’s report on compliance with laws, regulations, and the provisions of contracts or grant agreements should include an opinion (or disclaimer of opinion) as to whether the auditee complied with laws, regulations and the provisions of contracts or grant agreements that could have a direct and material effect on each major program. Therefore, in a Circular A-133 compliance audit, the *applicable compliance requirements*, as the term is used in SAS No. 117, are those that could have a direct and material effect on a major program. Accordingly, for the purpose of adapting SAS No. 117 to a Circular A-133 compliance audit, the term *applicable* has been replaced by *direct and material* when referencing such compliance requirements in this report.”

Because the revisions result in additional or further scope restrictions, we do not believe it is necessary to revise and/or reissue any fiscal year 2010 A-133 audit reports already issued.

For additional guidance and examples, please refer to the May 1, 2010 GAS and Circular A-133 Audit Guide and/or U.S. Auditing Standards, Section 801. Illustrative Auditor’s Reports are included in Appendix A in Chapter 13 for Circular A-133 audits and Chapter 14 for Program-Specific audits.

The fiscal year 2011 sample reports will be revised to reflect these changes consistent with SAS 117.



SAMPLE COUNTY - SAS 117 REVISIONS

INDEPENDENT AUDITOR'S REPORTS

**BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

JUNE 30, 2010

Office of

**AUDITOR
OF STATE**

State Capitol Building • Des Moines, Iowa



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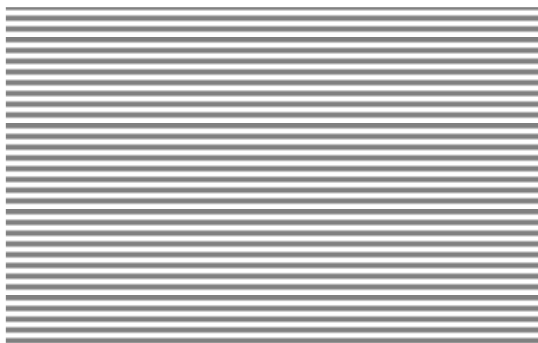


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Independent Auditor's Report on Compliance with Requirements **That
Could Have a Direct and Material Effect on** Each Major Program and on
Internal Control over Compliance in Accordance with OMB Circular A-133



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Independent Auditor's Report on Compliance with Requirements
That Could Have a Direct and Material Effect on Each Major Program
and on Internal Control over Compliance in Accordance with OMB Circular A-133

To the Officials of Sample County:

Compliance

We have audited Sample County, Iowa's **compliance**, with the types of compliance requirements described in U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that **could have a direct and material effect on Sample County's** major federal program for the year ended June 30, 2010. Sample County's major federal program is identified in Part I of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grant agreements applicable to its major federal program is the responsibility of Sample County's management. Our responsibility is to express an opinion on Sample County's compliance based on our audit.

We conducted our audit of compliance in accordance with U.S. generally accepted auditing standards, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, and OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether non-compliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Sample County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Sample County's compliance with those requirements.

In our opinion, Sample County complied, in all material respects, with the requirements referred to above that **could have a direct and material effect on** its major federal program for the year ended June 30, 2010. However, the results of our auditing procedures disclosed an instance of non-compliance with those requirements which is required to be reported in accordance with OMB Circular A-133 and is described as item III-A-10 in the accompanying Schedule of Findings and Questioned Costs.

Internal Control Over Compliance

The management of Sample County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grant agreements applicable to federal programs. In planning and performing our audit, we considered Sample County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sample County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A deficiency in the County's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance such that there is a reasonable possibility material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-B-10 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Questioned Costs as item III-C-10 to be a significant deficiency.

Sample County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. While we have expressed our conclusions on the County's responses, we did not audit Sample County's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Sample County and other parties to whom Sample County may report, including federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

DAVID A. VAUDT, CPA
Auditor of State

October 20, 2010