

SECTION VI

ILLINOIS CPA SOCIETY
Governmental Report Review Program

REVISED 10/28/16

2016 Review Session Supplemental Check List For Independent Auditors' Reports
Accompanying The Annual Financial Report For Local Education Agencies Filed With The
Illinois State Board Of Education

Your Name _____

Report # _____

Code Location: SPFD CHGO

INTRODUCTION

This check list has been developed as a supplement to the regular financial review check lists. The reviewer should have already used the set of Instructions for Completing the Review and should have completed Sections I-IV of a regular checklist.

It is intended that the District's basic financial statements prepared in accordance with the provisions of GASB Statement #34 (or the bound report) will have been reviewed. If there is no bound or basic financial statements, then the Annual Financial Report For Local Education Agencies (the AFR) filed with the Illinois State Board of Education will have been reviewed as if it were the formal annual report of the entity. Also, the "bound report" may have consisted of individual fund financial statements prepared for purposes of compliance with regulatory requirements. **In these two situations, this checklist will not be used.**

The need for possible use of Section VI below is explained as follows:

Illinois Local Education Agencies are required to file an annual report with the Illinois State Board of Education entitled "Illinois School District Annual Financial Report" (AFR). This report on a preprinted form presents financial information on an individual Fund basis only. There is no requirement for District wide or combined fund financial statements. Further, the table of contents of the AFR refers to basic financial statements, which is in conflict with the concept of GASB #34 financial statements.

GAAP for local governmental units requires the presentation of District-wide financial statements and the presentation of Fund financial statements that may combine one or more of the operating, special revenue or construction funds of the District. Thus, the AFR cannot qualify as general purpose financial statements.

Accordingly, the language of the Auditor's Report on the AFR Financial Statements will need to be modified appropriately to describe the extent of audit coverage; applicable to the AFR. It cannot be a copy of or the same as the report upon the basic or GASB 34 financial statements. The AFR financial statements are Individual Funds' only.

NATURE OF MODIFIED REPORT LANGUAGE

Note – The term “basic” used hereinafter refers to published financial statements of the District in the format required by GASB #34 and not those statements referred to in the table of contents of the AFR.

The key is the auditor's report accompanying the basic financial statements, i.e., “the bound report.”

If an auditor has audited the basic (entity wide) and combined major fund financial statements only and has not extended the audit to the combining and individual fund financial statement level, then the auditor's report on the AFR must be modified. The auditor may report upon the AFR as Other Financial Information and issue an “in relation to” report (accepted by the Illinois State Board of Education but not recommended) or the auditor may report upon the AFR as a special report issued in compliance with regulatory provisions.

If individual funds have been presented as the major funds in the basic financial statements then the auditor has audited these individual funds. In this circumstance the AFR auditors’ report may refer to the basic financial statements (terminology in the AFR table of contents) as being the audited financial statements.

USE OF THIS CHECKLIST

Use this checklist only after completing Sections I-IV of the regular checklist and only if separate basic financial statements have been issued and reviewed. The Instructions for Completing the Review are intended to apply to Section VI as well as to Sections I-V.

This checklist will be applicable only to the Auditors' report attached to the AFR, and reference to related financial statements or footnote disclosures will not be necessary.

SECTION VI

EVALUATION OF THE OPINION ON THE ILLINOIS SCHOOL DISTRICT ANNUAL FINANCIAL REPORT PREPARED ON CASH BASIS OR GAAP BASIS WHEN BOUND FINANCIAL STATEMENTS USING THE GASB34 MODEL HAVE ALSO BEEN ISSUED

In general refer to AU-C* 700 – Forming an Opinion and Reporting on Financial Statements. This section contains “AU -C ” section numbers instead of “AU” section numbers. As part of the clarification of the SASs, the AU section numbers as designated by SAS Nos. 1—121 were recodified and “AU -C ” was selected as an identifier in order to avoid confusion with references to superseded “AU” sections. Superseded “AU” sections were deleted from AICPA Professional Standards in December 2013, by which time substantially all engagements for which the “AU” sections were still effective were expected to be completed.

With regard to the *AFR report*:

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| 801. | Is there a title that includes the word "independent?" | Yes No |
| 802. | Is the auditors' report dated? | Yes No |
| 803. | Is the report addressed to the governing board? | Yes No |
| 804. | Is the governmental unit adequately identified? | Yes No |

The next several questions regarding the auditor’s report assumes the auditor is NOT issuing an “in relation to” opinion on the AFR (if an “in relation to” opinion IS being issued skip to question 870)

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| 806. | Does the report clearly identify which financial statements were audited (<i>AU-C 700.25</i>).
This can be accomplished by:
a. referring to sections of the table of contents (the references should be consistent with language used in the table of contents)
b. actually listing them in the introductory paragraph itself (the titles used should match the titles used on the financial statements), or
c. other appropriate language (an “in relation to” opinion which describes the statements that were audited), | Yes No |
| 807. | When looking at the opinion on the “bound report” (GASB34 model), has the auditor opined at the individual fund level for ALL funds? | Yes No |
| 808. | Does the report on the AFR state that the government wide financial statements were audited but are not presented in this report? | Yes No |
| 809. | Does the report on the AFR clearly identify the inclusive dates of the period (i.e., the last day and length of the period) under audit? | Yes No |

Does the Management’s Responsibility section:

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|------|---|-----|----|
| 810. | Begin with the heading “Management’s Responsibility for the Financial Statements”? (AU-C 700.26) | Yes | No |
| 811. | Describe management’s responsibility for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework? (AU-C 700.27) | Yes | No |
| 812. | Describe that management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error? (AU-C 700.27) | Yes | No |
| 813. | Does the description about management’s responsibility for the financial statements refrain from referencing a separate statement about such responsibilities, IF such statement is included in the document containing the auditor’s report? (AU-C 700.28) | Yes | No |

Does the Auditor’s Responsibility section:

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| 814. | Begin with the heading “Auditor’s Responsibility”? (AU-C 700.29) | Yes | No |
| 815. | State that the auditors' responsibility is to express opinions on these financial statements based on the audit? (AU-C 700.30) | Yes | No |
| 816. | State that the audit was conducted in accordance with auditing standards generally accepted in the United States of America or clearly specify how and why not? (AU-C 700.31) | Yes | No |
| 817. | State that the audit was also conducted in accordance with <i>Government Auditing Standards</i> , issued by the Comptroller General of the United States, if applicable? (AU-C 700.43) | Yes | No |
| 818. | Explain that those standards require that the auditor "plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement?" (AU-C 700.31) | Yes | No |

Describe an audit by stating that -

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| 819. | "an audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements"? (AU-C 700.32 a.) | Yes | No |
| 820. | "the procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances"? (AU-C 700.32 b.) | Yes | No |
| 821. | Does the auditor further state that this was “not for the purpose of expressing an opinion on the effectiveness of the entity's internal control, and accordingly, no such opinion is expressed”? (AU-C 700.32 b.) | Yes | No |

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| 822. | “an audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as the overall presentation of the financial statements”? (AU-C 700.32 c.) | Yes No |
| 823. | That the auditor believes that the audit evidence the auditor has obtained is sufficient and appropriate to provide a basis for the auditor's opinions? (AU-C 700.33) | Yes No |
| 824. | Is there a section beginning with the heading “Basis for Adverse Opinion”? (AU-C 705.17) | Yes No |
| 825. | Does this section explain that the financial statements have been prepared to comply with regulatory reporting provisions prescribed by the Illinois State Board of Education, which is a basis of accounting other than accounting principle generally accepted in the United States of America AND that the variances between the regulatory basis and GAAP are not reasonably determinable, but are presumed to be material? | Yes No |

Note: AICPA interpretation (AU 9623.15) extends the requirement for an Adverse Opinion “when the regulated entity distributes the financial statements to parties other than the regulatory agency either voluntarily or upon specific request.” Since Illinois school districts are subject to the Freedom of Information Act, their audit reports would be subject to distribution upon request. Therefore, it is required that the auditor must issue an Adverse Opinion on such statements.

If there are other modifications to the opinion: (If not, skip to Question 830)

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| 826. | Is there a section beginning with the heading “Basis for Qualified Opinion”, or “Basis for Disclaimer of Opinion”? (AU-C 705.17) | Yes No |
| 827. | Is there a paragraph which describes the nature of any uncertainties or other departure(s)? (AU-C 705.18 - .21) | Yes No |
| 828. | Is the dollar effect stated or is there a statement that it has not been quantified? (AU-C 705.18) | Yes No |
| 829. | If the auditor is expressing an adverse opinion, or disclaimed an opinion, does the modification paragraph report any other matters of which the auditor is aware that would require modification to the opinion and the effects thereof? (AU-C 705.22) | Yes No N/A |

Does the Auditor’s Opinion section:

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| 830. | Begin with a heading that includes “Adverse Opinion”? (AU-C 705.23) | Yes No |
| 831. | Adequately identify the government unit? | Yes No |
| 832. | Does the auditor expresses an <i>adverse</i> opinion that states that due to the significant matter(s) described in the “Basis for Adverse Opinion” paragraph, the financial statements are not presented fairly in accordance with the generally accepted accounting principles? (AU-C 705.25) | Yes No |

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| 833. | Is the Adverse Opinion followed by the appropriate regulatory basis opinion? (AU 9623.15.97) | Yes No |
| 834. | If the auditor expresses a <i>qualified</i> opinion on the regulatory basis, does it refer to the “Basis for Qualified Opinion” paragraph and clearly indicate the effect on the auditors’ opinion of the matter described? (i.e., “except for”) (AU-C 705.24) | Yes No N/A |

Other Reporting Responsibilities

If Other Matters are reported:

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| 840. | Is there are heading of “Other Matters”? (AU-C 700.37) | Yes No N/A |
| 841. | If Other Information (OI) is included in the report is there a sub-heading for “Other Information”? | Yes No N/A |
| 842. | If OI is presented (IMRF Schedule of Funding Progress, Financial Profile Information, etc.), has the auditor clearly expressed the level of responsibility the auditor is taking relative to that information? (Generally, disclaiming an opinion) If “no,” list applicable pages: | Yes No N/A |
| 847. | If any additional supporting schedule information (Federal Stimulus, Ad Valorem Tax Receipts, Indirect Cost Rate for Federal Programs, etc.) is presented, has the auditor revealed this Other Information and either accepted “in relation to” responsibility or clearly disclaimed any responsibility for them? If “no,” list applicable pages: | Yes No N/A |
| 848. | If there is any Statistical Information presented (Capital Outlay and Estimated Operating Expenditures Per Pupil...), has the auditor revealed this and either accepted “in relation to” responsibility or clearly disclaimed any responsibility for that information? If “no,” list applicable pages: | Yes No N/A |
| 849. | Is it clear that each page in the financial report is covered by the full scope opinion, by the “in relation to” responsibility, or is clearly unaudited?
If “no,” list applicable pages: | Yes No |
| 850. | Is it clear that each page in the financial report is not covered by more than one of the following: full scope opinion, “in relation to” supplementary data responsibility, or is clearly unaudited?
If “no,” list applicable pages: | Yes No |

Government Auditing Standards & Single Audits -

860. Is there a heading of “Other Reporting Required by *Government Auditing Standards*”? (AU-C 700.38) Yes No
861. Is there a paragraph stating that “In accordance with *Government Auditing Standards*, we have also issued a separate report, dated August XX, 201X, on our consideration of the entity’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters.”? Yes No
862. Is there a statement that “The purpose of that report is to describe the scope of testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting and compliance.”? Yes No
863. Is there a statement that “That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control over financial reporting and compliance.”? Yes No
864. If it appears that a Single Audit is required, based upon a review of the revenues sections and other parts of the report (i.e., federal grant receipts in excess of \$750,000), does the report document include the additional reports required by the Uniform Guidance, or reference a separately issued compliance supplement? Yes No
865. If the schedule of expenditures of federal awards is not issued as a separate single audit package, is there an additional paragraph in the “Other Matters” section and has the auditor given an “in relation to” opinion on the schedule of expenditures of Federal awards? Yes No
866. If the Schedule of Federal Awards presents prior year information, has the auditor indicated his/their responsibility in the “Other Matters” section for such comparative information, or that it was previously audited by another auditor? (AU-C 700.46 - .54) Yes No

For opinion letters NOT giving an “in relation to” opinion, skip to Question 890 –

For opinion letters GIVING an “in relation to” opinion continue here.

870. Does the opening paragraph clearly identify which financial statements were audited (AU-C 700.25)? Yes No
871. Does the report state that the accompanying Annual Financial Report is presented for purposes of additional analysis and is not a required part of the financial statements (AU-C 725.9 b.)? Yes No

872. Does the report explain that the Annual Financial Report has been prepared to comply with regulatory reporting provisions prescribed by the Illinois State Board of Education, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America AND that the variances between the regulatory basis and GAAP are not reasonably determinable, but are presumed to be material? Yes No
873. If OI is presented (IMRF Schedule of Funding Progress, Financial Profile Information, etc.), has the auditor clearly expressed the level of responsibility the auditor is taking relative to that information? (Generally, disclaiming an opinion) If "no," **list applicable pages:** Yes No N/A
874. If any additional supporting schedule information (Federal Stimulus, Ad Valorem Tax Receipts, Indirect Cost Rate for Federal Programs, etc.) is presented, has the auditor revealed this Other Information and either accepted "in relation to" responsibility or clearly disclaimed any responsibility for them? If "no," **list applicable pages:** Yes No N/A
875. If there is any Statistical Information presented (Capital Outlay and Estimated Operating Expenditures Per Pupil...), has the auditor revealed this and either accepted "in relation to" responsibility or clearly disclaimed any responsibility for that information? If "no," **list applicable pages:** Yes No N/A
876. Is it clear that each page in the financial report **is** covered by the full scope opinion, by the "in relation to" responsibility, **or** is clearly unaudited? If "no," **list applicable pages:** Yes No
877. Is it clear that each page in the financial report **is not** covered by **more than one** of the following: full scope opinion, "in relation to" supplementary data responsibility, or is clearly unaudited? If "no," **list applicable pages:** Yes No
890. Does the report contain the manual or printed signature of the auditor's firm? (AU-C 700.39) Yes No
891. Have all significant problems with the Auditor's Report been identified by "no" answers to previous questions? If not, please **explain them here** and indicate "no." No
