

## C.2 WAVE 2 – SBR AUDIT

The SBR presents all budgetary resources that a reporting entity has available, the status of those resources at period end, a reconciliation of changes in obligated balances from the beginning to the end of the period, and cash collections and disbursements for the period reported. Wave 2 – SBR Audit includes all processes, internal controls, systems and supporting documentation that must be audit ready before asserting audit readiness for the SBR. Significant business cycles in this wave include Procure-to-Pay, Hire-to-Retire, Order-to-Cash, and Budget-to-Report (including FBWT).

### C.2.1 Readiness Scope

To prepare for an SBR audit, a reporting entity's audit readiness efforts must include all processes that result in financial transactions material to its SBR. The financial transactions summarized and reported on the SBR also affect other financial statements. The most important relationships are those between the SBR and the Balance Sheet. Specifically, because of the strong relationship between the FBWT line item on the Balance Sheet and SBR line items (examples are shown in Figure 1), the Department's strategy for the SBR depends on an auditable FBWT balance. This includes not only cash collection and disbursement transactions that affect multiple SBR line items and the FBWT line item on the Balance Sheet, but also the Treasury reporting and reconciliation activities that reporting entities perform to ensure their records remain in balance with the Treasury.

Example Financial Event	SBR Impact	Balance Sheet – FBWT Impact
Appropriation Received	Increase to Appropriation	Increase to FBWT
Rescissions	Increase to Permanently not Available	Decrease to FBWT
Unfilled Order Received with Advance	Increase to Unfilled Customer Orders	Increase to FBWT
Collection	Increase to Earned Spending Authority	Increase to FBWT
Disbursement	Increase to Gross Outlays	Decrease to FBWT

**Figure 1. Relationship between SBR and FBWT**

Wave 2 includes the SBR's main sections and the underlying financial transactions reported in each section and FBWT:

- *Budgetary Resources* – including recoveries of prior year unpaid obligations (SBR line 1021), appropriations (SBR line 1290 and addressed in Wave 1), contract authority (SBR line 1690), reimbursable activity (SBR line 1890), non-expenditure transfers (SBR line 1290) and rescissions (SBR line 1290), status of budgetary resources – including obligations incurred (SBR line 2190) under various procure-to-pay and hire-to-retain processes (vendor purchases, civilian and military payroll, travel, Military Interdepartmental Purchase Requests (MIPRs), etc.), and ending unobligated balances (SBR lines 2204, 2304, and 2404);
- *Change in Obligated Balance* – including delivery of orders and the status of period-end balances for undelivered/delivered orders and unfilled customer orders/receivables from Federal sources (SBR lines 3000 through 3100);
- *Budget Authority and Outlays, Net* – including cash disbursement and collection activity, along with distributed offsetting receipts (SBR lines 4175 through 4210); and
- *FBWT* – including aspects of FBWT such as appropriations (addressed in Wave 1), cash disbursements and collection (same as preceding bullet), monthly reconciliations of all open appropriation accounts at the transaction level, and reporting.

The preceding is not a complete list, but rather a listing of major transaction types contained within a typical SBR. Reporting entities should follow the FIAR Methodology to identify all processes that result in transactions and balances material to their SBR.

## C.2.2 Risks, Financial Reporting Objectives, Key Supporting Documents and Assessable Unit Risks and Outcomes

### Risks

The following table presents the key ROMMs related to Wave 2 - SBR Audit, for each of the five financial statement assertions. The second table contains the same information for FBWT. A reference to the source of each risk is included in parentheses. **Reporting entities must review the listing of the FROs; identify the FROs relevant to the subject matter, assertion, or process (e.g., contract pay); and determine the combination of control activities and supporting documentation that must be implemented to achieve the FROs.** Refer to the FROs in separate tables following these risk tables for further details.

Wave 2 – SBR Audit Key Risks of Material Misstatement	
Financial Statement Assertions	Key Risks of Material Misstatement
Existence	<ol style="list-style-type: none"> <li>Recorded unobligated balances brought forward are not available for obligation in the current period because balances have been rescinded or are otherwise restricted (GAO-02-126G: p. 26)</li> <li>Recoveries of prior year obligations are incorrect or are no longer available (GAO-02-126G; p.28)</li> <li>Recorded budget authority does not exist (e.g., not authorized by Public Law) (FAM 395B: 4)</li> <li>Spending authority from offsetting collections do not exist, are not supported by an authorized agreement or are not yet earned (FAM 395B: 4)</li> <li>Recorded transfers are not properly authorized (FAM 395B: 1)</li> <li>Budgetary resources not available for obligation are not properly reported (GAO-02-126G; p. 29)</li> <li>Recorded obligations do not represent valid orders, contracts, or other events that will require future payment (GAO-02-126G; p. 31)</li> <li>Obligations are recorded in bulk amounts not supported by binding agreements (FAM 395F: 01e)</li> <li>Obligations are not properly liquidated when transactions are completed (GAO-02-126G; p. 34)</li> <li>Recorded outlays are for invalid or unauthorized transactions and/or are not supported by disbursement evidence (GAO-02-126G: p. 35)</li> <li>Recorded Collection or Receipt transactions are not valid or available for obligation during the year (GAO-02-126G: p. 27, 36)</li> <li>Transactions are recorded in the current period, but the related economic events occurred in a different period (FAM 395B: 2)*</li> <li>Transactions are summarized improperly, resulting in an overstated total (FAM 395B: 3)*</li> </ol>
Completeness	<ol style="list-style-type: none"> <li>All unobligated available balances brought forward are not recorded (GAO-02-126G: p. 26)</li> <li>All recoveries of prior year obligations that are available for obligation are not recorded as recoveries in the SBR (GAO-02-126G: p. 28)</li> <li>All new budget authority made available for obligation was not recorded (GAO-02-126G: p. 26)</li> <li>All available and authorized spending authority is not recorded (GAO-02-126G: p. 27)</li> <li>Transfers are not recorded in the correct period (FAM 395B: 6)</li> <li>All canceled, restricted, or limited budgetary resources are not included as reductions on the SBR (GAO-02-126G: p. 27)</li> <li>All obligations incurred are not properly recorded (GAO-02-126G: p. 31)</li> <li>An agency may have placed an order for goods/services and not recorded the Undelivered Order (UDO) amount (GAO-02-126G: p. 34)</li> <li>Goods or services may have been received, but the Delivered Orders /Accounts Payable (AP) has not been recorded and Undelivered Order amount reduced (GAO-02-126G: p. 34)</li> <li>All appropriate outlays and adjustments are not recorded (FAM 395F: 01g)</li> <li>All valid and authorized collection or receipt transactions are not recorded (GAO-02-126G: p. 27, 36)</li> <li>Economic events occurred in the current period, but the related transactions are recorded in a different period (FAM 395B: 6)*</li> <li>Transactions are summarized improperly, resulting in an understated total (FAM 395B: 7)*</li> </ol>
Valuation	<ol style="list-style-type: none"> <li>Unobligated balances brought forward are recorded at incorrect amounts (GAO-02-126G: p. 26)</li> <li>Recoveries of prior year obligations are incorrectly calculated (GAO-02-126G: p. 28)</li> <li>New budget authority was recorded at incorrect amounts (GAO-02-126G: p. 25)</li> </ol>

Wave 2 – SBR Audit Key Risks of Material Misstatement	
Financial Statement Assertions	Key Risks of Material Misstatement
	30. Apportionment amounts do not agree to the total appropriated amount (FAM 395F: 01b) 31. Allotted amounts do not agree to appropriated/apportioned amounts (FAM 395F: 01c) 32. Spending authority from offsetting collections is not recorded at the correct amount (GAO-02-126G: p. 27) 33. Transfers are not recorded at the correct amount (FAM 395B: 9) 34. Budgetary resources temporarily or permanently not available for obligation are recorded at incorrect amounts (FAM 395B: 9) 35. Obligations are not recorded at the proper amounts (GAO-02-126G: p. 31) 36. Inaccurate Uncollected Customer Payments/Accounts Receivable (AR) and Unfilled Customer Order (UFCO) amounts are included in the obligated balance, net end of period (FAM 395F: 01e) 37. Outlays and adjustments are reported at incorrect amounts (FAM 395F: 01g) 38. Collections or Receipts are misstated (GAO-02-126G: p. 27, 35)
Presentation and Disclosure	39. Accumulated accounts or transactions are not properly classified and described in the SBR and SF-133 (FAM 395B: 15) 40. The current period SBR is based on accounting principles different from those used in prior periods presented (FAM 395B: 16) 41. Information needed for fair presentation in accordance with U.S. GAAP is not disclosed in the financial statements (including OMB and FASAB guidance) (FAM 395B: 17)
Rights and Obligations	42. Agencies do not have rights to budgetary resources reported on the SBR, including collection and/or receipt activity (FAM 395F: 01a) 43. Unobligated balances are misstated and expired balances or errors are carried forward into next year's balances (GAO-02-126G: p. 32) 44. UFCOs related to expired agreements are included in the uncollected customer payments balance (FAM 395B: 13) 45. Agency is not contractually or legally bound to the obligation and therefore, related outlays should not be made, recorded or reported (FAM 395F: 01j)
* Risk Applies to all SBR line items.	

Wave 2 – SBR Audit Fund Balance with Treasury Key Risks of Material Misstatement	
Financial Statement Assertions	Key Risks of Material Misstatement
Existence	1. FBWT amounts recorded in the general ledger do not exist (FAM 921C: 1) 2. FBWT reconciliations to Treasury reports are not performed in a timely manner (FAM 395B: 3) 3. Unreconciled differences, including those that are temporarily recorded in budget clearing accounts are not researched and resolved in a timely manner (FAM 395B: 3)
Completeness	4. Increases/decreases to FBWT are not appropriately and completely recorded (FAM 395B: 5) 5. FBWT balance exists but is omitted from the financial statements (FAM 921C: 2)
Valuation	6. FBWT transactions are recorded at incorrect amounts (FAM 921C: 3)
Presentation and Disclosure	7. FBWT is not properly classified and described in the financial statements (FAM 921C: 6) 8. The current period FBWT is based on accounting principles different from those used in prior periods presented (FAM 921C: 7) 9. Information needed for fair presentation in accordance with U.S. GAAP is not disclosed in the financial statements (including OMB and FASAB guidance) (FAM 921C: 8)
Rights and Obligations	10. The reporting entity does not have rights to the recorded FBWT amounts (FAM 921C: 5) 11. Recorded FBWT is owned by others (FAM 921C: 4)

### Financial Reporting Objectives

**Reporting entities must identify and implement a combination of control activities and supporting documentation to demonstrate that the FROs relevant to the subject matter, assertion, or process, (e.g., contract pay) have been achieved.** Note that some SBR line items are listed more than once because different groups of FROs link to different combinations of line items. Therefore, it is important to review the entire table to ensure a list of FROs relevant to a particular assessable unit/line item is complete. Each FRO has been linked to relevant financial statement assertions (as indicated with an “X” in the appropriate columns), including the FRO relationship to compliance with laws and regulations. At the end of each FRO is a source reference. This is not a complete listing of control objectives, but rather those FROs needed to address key risk areas most likely to be present based on the Department’s experience. **Reporting entities must apply judgment to determine if additional FROs should be included given their specific business processes and financial statements.** Reporting entities may also refer to the [GAO/PCIE FAM](#) Section 395B and 395F for a list of general control objectives based on financial statement assertions.

Wave 2 – SBR Audit Financial Reporting Objectives						
Financial Statement Line Items	Financial Reporting Objectives	Financial Statement Assertions				
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
All Financial Statement Line Items	1. Accounts and all the transactions they accumulate are properly classified and described in the SBR and SF-133 (FAM 395B: 15)*				x	
	2. The current period SBR is based on accounting principles that are consistently applied from period to period (FAM 395B: 16)*				x	
	3. SBR and related footnotes contain all information needed for fair presentation in accordance with U.S. GAAP (FAM 395B: 17)*				x	
	4. Recorded transactions, underlying events, and related processing procedures are authorized by federal laws, regulations, and management policy (FAM 395B: 1a)	x				x
	5. Transactions recorded in the current period represent economic events that occurred during the current period (FAM 395B: 2)	x				
	6. The summarization of recorded transactions is not overstated (FAM 395B: 3)	x				
	7. All economic events that occurred in the current period are recorded as transactions in the current period (FAM 395B: 6)		x			
	8. The summarization of recorded transactions is not understated (FAM 395B: 7)		x			
Unobligated Balance, Brought Forward, Oct 1 Adjustments to unobligated balance brought forward, Oct 1 Other changes in unobligated balances	9. Recorded unobligated balances from prior periods remain available for obligation and pertains to the reporting entity (GAO-02-126G: p. 26)	x				x
	10. All unobligated balances from prior periods are recorded and agree with prior year balances (GAO-02-126G: p. 27)		x	x		

Wave 2 – SBR Audit Financial Reporting Objectives						
Financial Statement Line Items	Financial Reporting Objectives	Financial Statement Assertions				
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
Recoveries of Prior Year Unpaid Obligations	11. Recorded recoveries represent cancellations or downward adjustments of prior obligations, remain available, are recorded in the proper accounts and pertains to the reporting entity (GAO-02-126G: p. 28)	x			x	x
	12. All recoveries of prior years that are available for obligation were included in the SBR (GAO-02-126G: p. 28)		x			
Spending Authority from Offsetting Collections (discretionary and mandatory) Nonexpenditure Transfers, net, Anticipated and Actual Temporarily not Available Pursuant to Public Law Permanently not Available	13. Spending authority from offsetting collections (anticipated and accepted orders) is available for obligation during the year, was recorded in the proper accounts and pertains to the reporting entity and is supported by proper documentation (GAO-02-126G: p. 27)	x			x	x
	14. All offsetting collections are available for obligation by reference to authorizing legislation (GAO-02-126G: p. 27)					x
	15. All revenue and collections are recorded in the proper accounts (GAO-02-126G: p. 27)		x		x	
	16. Spending authority from offsetting collections was reconciled to reported revenue from third parties (GAO-02-126G: p. 27)	x	x	x		x
	17. All available and authorized spending authority is recorded and at correct amounts (GAO-02-126G: p. 27)		x	x		
	18. Recorded non-expenditure transfers represent valid transfers authorized by OMB and pertain to the reporting entity (FAM 395B: 1a)	x				x
	19. All transfers authorized by OMB are recorded in the proper period and at correct amounts (FAM 395B: 6, 9)		x	x		
	20. Reported amounts not available (temporarily or permanently) represent valid restrictions on the availability of budget authority or cancellations, pertain to the reporting entity and are supported by available documentation (GAO-02-126G: p. 26)	x				x
	21. All amounts that are canceled, restricted, or limited are included as reductions of resources in the SBR (GAO-02-126G: p. 27)		x			
Recoveries of prior year unpaid obligations (for those FROs referencing “adjustments” to obligations)	22. Obligations represent valid orders that will require future payment (FAM 395F: 01e)	x				x
	23. Obligations are for the same purpose for which the appropriation was made (FAM 395F: 01e)					
	24. Obligations are incurred within the time that the appropriation was available for new obligations (FAM 395F: 01e)					x
	25. Obligations do not exceed the amount allotted or appropriated by statute, nor were the obligations incurred before the appropriation became law (unless otherwise provided by law) (FAM 395F: 01e)					x
	26. Obligations comply with all other legally binding restrictions such as obligation ceilings or earmarks (FAM 395F: 01e)					x
	27. Obligations are not subsequently cancelled nor have the goods or services been received (FAM 395F: 01e)	x				x
Obligations Incurred Unpaid						

Wave 2 – SBR Audit Financial Reporting Objectives						
Financial Statement Line Items	Financial Reporting Objectives	Financial Statement Assertions				
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
Obligations, Brought Forward, Oct 1	28. Adjustments represent a “contract change” as defined in OMB Circular A-11 (FAM 395F: 01e) and satisfy reporting and approval requirements					x
	29. Adjustments do not cause the reporting entity to exceed the amount allotted or appropriated by statute (FAM 395F: 01e)					x
	30. Adjustments are recorded during the period when the account is available for adjustments (5 years) and was made for a valid obligation incurred before the authority expired (FAM 395F: 01e)	x				x
	31. New obligations are not recorded in expired accounts (FAM 395F: 01e)					x
Unpaid Obligations, End of Period	32. All new and valid obligations incurred during the period are recorded in the proper accounts (FAM 395F: 01e)		x		x	
	33. Obligations are recorded in the proper period (FAM 395F: 01e)	x	x			
	34. Obligations are recorded at the best available estimate of actual cost (FAM 395F: 01e)			x		
	35. Obligations are recorded in the proper appropriation or fund accounts (also by program and by object, if applicable), including the proper appropriation year if the account is multiyear (FAM 395F: 01e)				x	
	36. Commitment transactions: If commitment controls are relied upon to achieve objectives related to obligations and expenditures, commitment objectives are the same as obligations and expenditures (FAM 395F: 01d)					x
	37. Expended authority transactions recorded have occurred, as evidenced by appropriate supporting documentation (FAM 395F: 01f)	x				
	38. For expended authority transactions in expired accounts, transactions do not cause the reporting entity to exceed the amount appropriated by statute (FAM 395F: 01f)					x
	39. For expended authority transactions in expired accounts, transactions are recorded during the period when the account is available for adjustment (5 years) (FAM 395F: 01f)					x
	40. For expended authority transactions in expired accounts, transactions are not made out of closed accounts (FAM 395F: 01f)					x
	41. All expended authority transactions and adjustments are recorded (FAM 395F: 01f)		x			
	42. Expended authority transactions and adjustments are recorded at the correct amount (FAM 395F: 01f)			x		
	43. Expended authority transactions and adjustments are recorded in the proper period (FAM 395F: 01f)	x	x			
	44. Expended authority transactions and adjustments are recorded in the proper appropriation or fund accounts (also by program and by object, if applicable), including the proper appropriation year if account is multiyear (FAM 395F: 01f)				x	

Wave 2 – SBR Audit Financial Reporting Objectives						
Financial Statement Line Items	Financial Reporting Objectives	Financial Statement Assertions				
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
Unobligated Balance, end of year: Apportioned	45. Unobligated balances exist and represent available or not available (expired) funds and pertain to the reporting entity (FAM 395B: 04a, 13)	x				x
	46. Unobligated balances do not include any expired, canceled, or rescinded amounts (GAO-02-126G: p. 32)	x				
	47. All unobligated funds are recorded (FAM 395B: 05)		x			
Unobligated Balance, end of year: Exempt from Apportionment	48. Recorded balances as of a given date are supported by appropriate detailed records that are accurately summarized and reconciled to the appropriation or fund account balance, by year, for each account (FAM 395B: 4b)	x	x	x	x	
Unobligated Balance, end of year: Unapportioned	49. Total undelivered orders plus total expended authority transactions do not exceed the amount of the appropriation or other statutory limitations (FAM 395F: 01h)					x
	50. Fixed appropriation accounts are closed on September 30 of the 5th fiscal year after the end of the period that they are available for obligation, any remaining balance (whether obligated or unobligated) is canceled and no longer available for obligation or expenditure for any purpose (FAM 395F: 01h)					x
	51. Indefinite appropriation accounts are closed if (1) the reporting entity head or President determines the purpose of the appropriation has been carried out, and (2) no disbursements have been made for two consecutive fiscal years (FAM 395F: 01h)					x
Unpaid Obligations, Brought Forward, Oct 1	52. Total payments of outstanding unliquidated obligations that relate to closed accounts do not exceed the limits described in OMB Circular No. A-11 (FAM 395F: 01h)					x
Unpaid Obligations, End of Period	53. Unpaid obligations and uncollected customer payments represent amounts for orders placed/received, contracts awarded, and similar obligating/ordering transactions for which goods and services have not been paid or agreements expired and pertain to the reporting entity (FAM 395B: 01a, 14)	x				x
Uncollected customer payments from Federal Sources, Brought Forward, Oct 1	54. All unpaid obligations and uncollected customer payments are recorded in the proper accounts, the correct fiscal year, the correct amount and are properly classified and presented in the financial statement (FAM 395B: 9, 15)					
Uncollected Customer Payments from Federal Sources, End of Period						

Wave 2 – SBR Audit Financial Reporting Objectives						
Financial Statement Line Items	Financial Reporting Objectives	Financial Statement Assertions				
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
Gross Outlays	55. Outlays represent valid, authorized transactions and pertain to the reporting entity (FAM 395F: 01f)	x				x
	56. Outlays are recorded against obligations made during the period of availability of the appropriation (as applicable) (FAM 395F: 01f)					x
	57. All outlays are recorded (FAM 395F: 01f)		x			
	58. Outlays are recorded at the correct amounts (FAM 395F: 01f)			x		
	59. Outlays are recorded in the proper accounts (by both program and by object, if applicable), including the proper appropriation year if the account is multiyear-evidenced by matching outlay to the underlying obligation (if applicable) (FAM 395F: 01f)				x	
	60. Outlays are recorded in the proper period (FAM 395F: 01f)	x	x			
	61. Recorded balances of outlay for the fiscal year are supported by appropriate detail records that are accurately summarized for each account (FAM 395F: 01i)	x			x	
	62. Outlays are for the purposes for which the appropriation was provided and in an amount not exceeding the obligation, as adjusted, authorizing the outlay (FAM 395F: 01f)					x
	63. Outlays do not use “first-in, first out” or other arbitrary means to liquidate obligations, unless supporting evidence demonstrates it reasonably represents the manner in which costs are incurred (FAM 395F: 01f)					x
Actual Offsetting Collections (discretionary and mandatory)	64. Collections and receipts authorized or required to be credited to an appropriation account but not received before the account is closed are deposited in the Treasury as a miscellaneous receipt (FAM 395F: 01k)					x
	65. Recorded offsetting collections are available for obligation during the year and were recorded in the proper accounts (GAO-02-126G, p. 27)	x				
Distributed Offsetting Receipts	66. Recorded receipts are valid and were recorded in the proper accounts (GAO-02-126G, p. 36)	x				
	67. All current year offsetting receipts are recorded (GAO-02-126G, p. 36)		x			
	68. All current year offsetting collections are recorded (FAM 395B:5)		x			
	69. All current year offsetting collections and/or receipts are recorded at the correct amounts (FAM 395B: 9)			x		
	70. The reporting entity has the rights to the recorded offsetting collections and/or receipts (FAM 395B: 13)					x
	71. Offsetting collections and/or receipts are appropriately summarized, classified and presented on the financial statement (FAM 395B: 15)				x	
*Components should review applicable sections of the GAO/PCIE FAM section 2010 Federal Accounting Checklist and 2020 Federal Reporting and Disclosure Checklists to ensure proper presentation and disclosures.						

Wave 2 – SBR Audit Financial Reporting Objectives						
Financial Statement Line Items	Financial Reporting Objectives	Financial Statement Assertions				
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
<b>FBWT</b>  Indirectly: Obligated and Unobligated Balances Brought Forward, Oct 1, and End of Period	72. Recorded FBWT amounts exist as of a given date. (FAM 921C: 1a)	x				
	73. Financial events recorded in the general ledger FBWT accounts at a given date are supported by appropriate source documents and detailed records that are accurately summarized and reconciled to the account balance and are recorded in the proper period (FAM 921C: 1a and 1b)	x	x	x	x	
	74. FBWT reports submitted to Treasury for all funds and Disbursing Locations are supported by the reporting entity's general ledger and are submitted to Treasury in a timely manner (FAM 921C: 10)**	x	x	x	x	
	75. Reconciling items identified during the FBWT reconciliation process are researched and resolved in a timely manner (FAM 921C:18)**	x	x	x		x
	76. Transactions recorded in budget clearing and/or suspense accounts are researched and resolved/cleared in a timely manner (FAM 921C: 18)**	x	x	x		x
	77. Access to FBWT, critical forms, records, and processing and storage areas is in accordance with laws, regulations, and management policy – Persons do not have uncontrolled access to both assets and records; they are not assigned duties to put them in a position that would allow them to both commit and conceal errors or fraud (i.e., segregation of duties) (FAM 921C: 1c)		x			
	78. All FBWT balance amounts are included in the financial statements – and reconciles to activity/balances in monthly Treasury reports for the reporting period (FAM 921C: 2a)**		x			
	79. FBWT transactions are accurately recorded (FAM 921C: 3a)			x	x	
	80. FBWT is properly classified and described in the financial statements (FAM 921C: 6a)				x	
	81. FBWT is based on accounting principles that are applied consistently from period to period (FAM 921C: 7a)				x	
	82. The reporting entity owns recorded FBWT – FBWT amounts represent legislative spending limits granted to the agency available for use during the current period (FAM 921C: 4a)					x
	83. The reporting entity has the rights to recorded FBWT at a given date – FBWT balance is reflective of reporting entities' budget authority at a given date (FAM 921C: 5a)					x
	84. All required disclosures are made and are accurately reported (FAM 921C: 8a)				x	
Note: Other Defense Organizations must take into account the additional complexities of shared appropriations. ** FRO related to the FBWT Reconciliation Process						

### Key Supporting Documents

The following table lists the minimum internal control documentation and supporting documentation necessary to support activity and balances asserted as audit-ready for an SBR audit. The table links each listed document to the potential financial statement assertions that it supports. Internal control documentation is marked as meeting all financial statement assertions, because the specific control activities described in the internal control documentation will determine which specific financial statement assertions are satisfied.

Wave 2 – SBR Audit Key Supporting Documents							
Financial Statement Line Items	Documentation Type	Key Supporting Documents	Financial Statement Assertions				
			Existence	Completeness	Validation	Presentation & Disclosure	Rights & Obligations
All Financial Statement Line Items	Internal Control Documentation	1. Statement-to-process analyses demonstrating the dollar amount and quantity of activity flowing through various processes and/or locations	x	x	x	x	x
		2. Applicable policies and procedures	x	x	x	x	x
		3. Process narratives and flowcharts	x	x	x	x	x
		4. Control worksheets, identifying risks, FROs and corresponding control activities	x	x	x	x	x
		5. Test plans documenting planned procedures used to test the operating effectiveness of control activities	x	x	x	x	x
		6. Control assessments with test results	x	x	x	x	x
		7. Evaluation of test results	x	x	x	x	x
		8. Documentation demonstrating the operation of internal control activities for the period under audit. Examples include: <ul style="list-style-type: none"><li>Approval signature documentation (electronic or manual) demonstrating accuracy reviews of appropriation transactions recorded in the general ledger (compared to supporting documentation such as Appropriation Act / Public Law)</li><li>Reconciliations of non-expenditure transfers recorded in the general ledger to OMB-approved Non-Expenditure Transfer Authorizations (SF-1151s)</li></ul>	x	x	x	x	x
		9. System inventory list, listing of system users and their access privileges	x	x	x	x	x
All Financial Statement Line Items (especially Unobligated Balances: Apportioned, and Unobligated Balances Not Available)	Transaction Documentation	10. Apportionment and Reapportionment Schedule (SF 132)	x	x	x	x	x
		11. Report on Budget Execution and Budgetary Resources (SF 133)	x	x	x	x	x
		12. Year-End Closing Statement (FMS 2108)	x	x	x	x	x
		13. Trial balance by fund code (Treasury account) corresponding to each appropriation	x	x	x	x	x
		14. Reconciliation of populations to general ledger and to the financial statements. Including the reconciliation of unadjusted trial balances to adjusted trial balances and support for journal vouchers posted to the adjusted trial balance		x		x	
		15. Journal vouchers, adjustments and corresponding supporting documentation	x	x	x	x	x

Wave 2 – SBR Audit Key Supporting Documents							
Financial Statement Line Items	Documentation Type	Key Supporting Documents	Financial Statement Assertions				
			Existence	Completeness	Validation	Presentation & Disclosure	Rights & Obligations
Unobligated Balance	Transaction Documentation	16. FIRST-TIME AUDITS ONLY – Analysis of unobligated balance brought forward that demonstrates the “age” of material appropriations	x	x	x	x	x
Brought Forward, Oct 1		17. FIRST-TIME AUDITS ONLY – Supporting documentation evidencing the beginning balances of Fund Balance with Treasury, Accounts Receivable, Unfilled Customer Orders, and Delivered Orders – Unpaid		x	x	x	
Recoveries of Prior Year Unpaid Obligations		18. Original obligating documents (such as contracts, reimbursable agreements, MIPRs, purchase orders, travel orders, grant agreements, etc.) along with contract modification documents supporting the recovery	x	x	x		x
		19. Invoice/receiving report noting changes in payment amount (e.g., De-obligation of funds can result from receipt of goods or services with an invoice payment less than the obligation balance and no further activity is anticipated)	x	x	x		x
Spending Authority from Offsetting Collections		20. Documentation demonstrating spending authority and collections from other Federal agencies such as Reimbursable Agreements, MIPRs, Intra-governmental Payment and Collection (IPACs), billing documents and related supporting documentation	x	x	x		x
		21. Documentation supporting amounts earned (invoices to customer agency, obligating document/receiving reports/invoices from vendor performing services, payroll (timesheets, official personnel files, etc.) for internal payroll charges, travel orders/vouchers, etc.)		x	x		x
		22. Cash collection documentation (for amounts earned and advances received) such as deposit tickets, IPACs, etc.	x	x	x		
Nonexpenditure Transfers, net		23. Non-expenditure Transfer Authorization (SF 1151)	x	x	x		x
Obligations Incurred: Direct and Reimbursable		24. Appropriation Act (Public Law) enacting temporary restrictions on budgetary resources or permanent rescission	x	x	x		x
		25. Negative Treasury Warrants (Rescission)	x	x	x		x
Unpaid Obligations, Brought Forward, Oct 1		26. Obligating document and related modifications such as contract purchase order, MIPR, etc. Note: for payroll transactions SF-52s (Request for Personnel Action), SF-50s (Notifications of Personnel Action), timesheets used to support disbursement transactions also support payroll obligations incurred	x	x	x		x
		27. Unpaid Obligations (Undelivered Orders) brought forward and at end of period are supported by valid obligating documents such as contracts, reimbursable agreements, MIPRs, purchase orders, etc. (first-year audits only). For any portions of the order delivered, see supporting documentation requirements for Delivered Orders	x	x	x		x
Unpaid Obligations, End of Period		Unpaid Obligations (Delivered Orders/Accounts Payable) brought forward and at the end of period are supported by the following:					
		28. Receiving Report, and	x	x	x		x
		29. Billing document such as vendor invoice (or equivalent), or					
	30. Accrual estimate support (if invoice has not been received or support for payroll accrual calculations)						

Wave 2 – SBR Audit Key Supporting Documents							
Financial Statement Line Items	Documentation Type	Key Supporting Documents	Financial Statement Assertions				
			Existence	Completeness	Validation	Presentation & Disclosure	Rights & Obligations
Unfilled Customer Payments, Brought Forward, Oct 1	Transaction Documentation	31. Uncollected Customer Payments (Unfilled Customer Orders) brought forward and at end of period are supported by valid orders from other Federal agencies such as Reimbursable Agreements	x	x	x		x
Unpaid Customer Payments, End of Period		32. Uncollected Customer Payments (Accounts Receivable) brought forward and at end of period are supported by subsequent IPAC collection documents	x	x	x		x
Gross Outlays		33. Cash disbursement document (invoice, receiving report, IPAC, travel voucher, credit card statements, etc.). Note: for payroll transactions SF-52s (Request for Personnel Action), SF-50s (Notifications of Personnel Action), timesheets used to support obligations incurred transactions also support payroll disbursements	x	x	x		x
Offsetting Collections		34. Cash collection document (deposit ticket, IPAC, billing document, etc.)	x	x	x		x
Distributed Offsetting Receipts		35. Statement of Accountability (SF 1218/1219)	x	x	x		x
		36. Statement of Transactions (SF 1220/1221)	x	x	x		x
		37. Statement of Interfund Transactions (DD 1400)	x	x	x		x
		38. Statement of Transactions (DD 1329)	x	x	x		x
		39. Government-wide Accounting (GWA) Account Statement	x	x	x		x
		40. Treasury Annual Report Appendix Part 7, Other Information B Receipts by Department	x	x			x
		41. Cash collection document (deposit ticket, IPAC, billing document, etc., to support basis for receipt)	x	x	x		x
Refer to the <a href="#">MilPay FIAR guidance supplement</a> located within the FIAR Guidance website for KSDs related to Military Pay							
FBWT	Internal Control Documentation	42. Statement-to-process analyses demonstrating the dollar amount and quantity of activity flowing through various processes and/or locations	x	x	x	x	x
		43. Applicable policies and procedures	x	x	x	x	x
		44. Process narratives and flowcharts	x	x	x	x	x
		45. Control worksheets, identifying risks, FROs and corresponding control activities	x	x	x	x	x
		46. Test plans documenting planned procedures used to test the operating effectiveness of control activities	x	x	x	x	x
		47. Control assessments with test results	x	x	x	x	x
		48. Evaluation of test results	x	x	x	x	x

Wave 2 – SBR Audit Key Supporting Documents							
Financial Statement Line Items	Documentation Type	Key Supporting Documents	Financial Statement Assertions				
			Existence	Completeness	Validation	Presentation & Disclosure	Rights & Obligations
FBWT	Internal Control Documentation	49. Documentation evidencing the operation of internal control activities for the period under audit. Examples include: <ul style="list-style-type: none"><li>A supervisory review is performed monthly to verify monthly Treasury reconciliations were performed timely and signed/dated by the completer, supervisor evidences review by signing and dating reconciliation.</li><li>All reconciling items are aged monthly to ensure all differences are resolved within 60 days. Supervisor randomly selects items cleared from the aging and reviews supporting documentation (and entry recorded in system) to verify reconciling item was appropriately resolved.</li></ul>	x	x	x	x	x
		50. Monthly FBWT reconciliations	x	x	x	x	x
	Transaction Documentation	51. General ledger and subsidiary ledgers identifying individual FBWT transactions within each Treasury account	x			x	
		52. Supporting documentation for individual transaction differences and adjustments between the agency and Treasury's records, including supporting documentation for cash disbursements, cash collections and adjustments as described in the preceding sections.	x	x	x		x
		53. Check Issue Discrepancy (FMS 5206)	x	x	x		

### Assessable Unit Risks and Outcomes

For the assessable units for Wave 2, FIAR has defined baseline financial reporting risks and related outcomes demonstrating audit readiness. Specifically, FIAR has identified the key risks for these assessable units that may cause a financial statement balance to be materially misstated. Once the risks are mitigated, the related assessable unit outcomes can be achieved. FIAR has also identified suggested test procedures that reporting entities may perform to meet the requirements of the FIAR Methodology and achieve audit readiness for each assessable unit. Please see Section C.4.2 for risks, outcomes and suggested test procedures for the Wave 2 assessable units.

### C.2.3 Example Work Products

Refer to the FIAR Guidance website for Wave 2 specific work product examples and related guidance.

### C.2.4 Wave-Specific Audit Execution

Wave 2 includes multiple end-to-end business processes and related financial statement line items that reporting entities can divide into assessable units. Reporting entities will assert audit readiness on individual assessable units once they determine that control activities are properly designed and operating effectively, and sufficient, accurate and relevant supporting documentation is readily available for examination. Reporting entities must prepare and submit assertion documentation (i.e., risk assessments, control assessments, process narratives, test plans, etc.) to the FIAR Directorate as they complete the key tasks and activities in the Discovery and Corrective Action phases. The FIAR Directorate will review the assertion documentation and provide feedback to the reporting entities on an ongoing basis. Once a reporting entity asserts that it is ready to undergo an examination of its Wave 2 assessable unit(s) by an IPA or the DoD OIG, the FIAR Directorate will validate that all key audit readiness dealbreakers (i.e., reconciled population, sufficient testing of control activities, etc.) have been sufficiently addressed. The FIAR Directorate will then engage an IPA or the DoD OIG to perform an examination on the assessable unit's audit readiness assertion during the Assertion/Evaluation phase. **If the examination results in an unqualified opinion on the reporting entity's audit readiness assertion, the reporting entity must sustain their audit-ready state until they are ready for a full SBR audit. As depicted in Figure 2, reporting entities can only assert full SBR audit readiness after all assessable units are validated as audit ready through an independent examination. Once all Wave 2 assessable units are validated as audit ready, an IPA or the DoD OIG will perform annual financial statement audits on the reporting entity's SBR.**

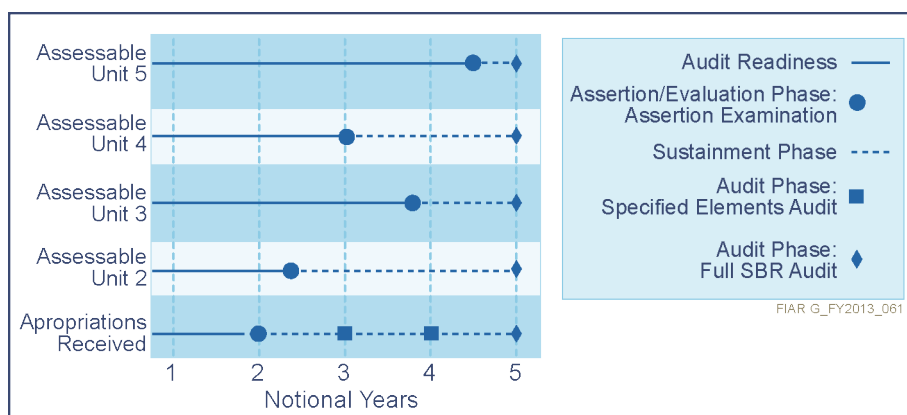


Figure 2. Wave 2 Audit Strategy