

C.4 WAVE 4 – FULL FINANCIAL STATEMENT AUDIT

Assertions for this wave include all material reporting entity line items, account balances and financial transactions impacting the Balance Sheet, Statement of Net Cost, and Statement of Changes in Net Position not covered by Waves 2 or 3 (e.g., Environmental and Disposal Liabilities, Accounts Receivable-Intragovernmental, Investments, Other Liabilities, etc.). The FIAR priorities require reporting entities to devote their resources and efforts towards completing Waves 1 through 3 before beginning work on Wave 4.

In addition, this wave requires that the valuation assertion for fixed assets (i.e., General Equipment, Internal Use Software, Real Property, Inventory, and Operating Materiel and Supplies) be achieved. One significant and potentially very costly challenge in Wave 4 is obtaining auditable values for the significant amount of existing DoD assets located worldwide and procured many years ago, well before passage of the CFO Act and other legislation mandating auditability. To address and overcome this impediment to achieving auditability, OUSD Comptroller and Acquisition, Technology and Logistics (AT&L) jointly issued a **“General Equipment Valuation and Capitalization Threshold”** memorandum and **related guidance** to assist reporting entities in asserting audit readiness by the end of Fiscal Year 2017. Please see Section 2.C.4 for specific requirements that reporting entities must follow to establish accurate values for their General Property, Plant and Equipment (G-PP&E), and Inventory and Related Property assets.

C.4.1 Readiness Scope

Reporting entity audit readiness efforts must include all remaining processes, controls, and supporting documentation that result in financial transactions and balances that are material to their financial statements. FIAR has developed a crosswalk which maps financial statement line items to their applicable assessable units to assist reporting entities in ensuring that the scope of their audit readiness activities sufficiently addresses all key areas necessary to achieve audit readiness. Please see the FIAR Guidance website for the [Crosswalk of Financial Statements to Assessable Units](#) document.

The OUSD(C) and AT&L jointly issued a memorandum outlining new requirements for the valuation of G-PP&E. Reporting entities are now required to conduct valuations using adequate supporting documentation (in accordance with KSD requirements set forth in this FIAR Guidance) for all new G-PP&E acquisitions accepted by DoD and placed into service October 1, 2013, and after. In addition, for G-PP&E assets acquired prior to October 1, 2013 that will have a positive net book value on or after September 30, 2017, reporting entities must report the value of the assets and maintain adequate supporting documentation to support the financial reporting of these assets by September 30, 2017. Once reporting entities have successfully established values for both new asset acquisitions as well as existing assets expected to have a positive net book value as of September 30, 2017, reporting entities must retain and have readily available documentation to support fully depreciated assets.

The memorandum also contains requirements for reporting entities to increase the capitalization threshold of their General Equipment, Internal Use Software and Real Property assets. These changes are prospective and apply to asset acquisitions and modifications/improvements accepted by DoD and placed into service October 1, 2013, and after. For more information on the new reporting requirements for G-PP&E, please see Section 2.C.4 of the FIAR Guidance.

In addition, the ability to successfully value new asset acquisitions requires the implementation of effective business processes and controls for recording, processing and reporting new asset acquisitions.

C.4.2 Risks, Financial Reporting Objectives, Key Supporting Documents and Assessable Unit Risks and Outcomes

Risks

The following table presents the key ROMM related to Wave 4, including those specific to the valuation of new asset acquisitions. A reference to the source of each risk is included in parentheses. **Reporting entities must achieve the FROs relevant to the subject matter, assertion, or processes (e.g., contract pay), to demonstrate audit readiness.** Refer to the FROs in the table following this table for further details.

Wave 4 – Full Financial Statement Audit Key Risks of Material Misstatement	
Financial Statement Assertion	Key Risks of Material Misstatement
Existence	<ol style="list-style-type: none"> 1. Recorded Military Retirement and Other Federal Employment Benefits are not representative of benefits earned by employees (FAM 395B: 1) 2. Recorded Environmental and Disposal Liabilities do not exist at a given date, do not pertain to the reporting entity, or are not representative of legal environmental and disposal costs incurred by the reporting entity (FAM 395B: 1, 4) 3. Recorded Other Liabilities, including Advances from Others, Accrued Unfunded Annual Leave, Contingent Liabilities, Custodial Liabilities, Disbursing Officer Cash, Deposit Funds, Suspense Accounts, Contract Holdbacks, and Other Payroll Related liabilities do not exist at a given date or do not pertain to the reporting entity (FAM 395B: 1, 4) 4. Recorded Non-Exchange Revenue does not represent economic events that actually occurred or do not pertain to the reporting entity (FAM 395B: 1) 5. Recorded Exchange Revenue does not represent economic events that actually occurred or do not pertain to the reporting entity (FAM 395B: 1) 6. Recorded costs of goods or services used to calculate customer rates do not represent economic events that actually occurred or do not pertain to the reporting entity. (FAM 395B: 1) 7. Recorded Investments do not exist at a given date or do not pertain to the reporting entity (FAM 395B: 1, 4) 8. Recorded Cash and Other Monetary Assets do not exist at a given date or do not pertain to the reporting entity (FAM 395B: 1, 4) 9. Recorded Other Assets do not exist at a given date or do not pertain to the reporting entity (FAM 395B: 1, 4) 10. Recorded Accounts Receivable - Intragovernmental does not exist at a given date or do not pertain to the reporting entity (FAM 395B: 1, 4) 11. Recorded Accounts Receivable – Non - Intragovernmental does not exist at a given date or do not pertain to the reporting entity (FAM 395B: 1, 4) 12. Recorded Accounts Payable – Intragovernmental do not exist at a given date or do not pertain to the reporting entity (FAM 395B: 1, 4) 13. Recorded Accounts Payable – Non - Intragovernmental do not exist at a given date or do not pertain to the reporting entity (FAM 395 B: 1, 4) 14. Recorded Loans Receivable, Guarantees and Related Debt do not exist at a given date or do not pertain to the reporting entity (FAM 395B: 1, 4) 15. Recorded Gross Costs do not represent economic events that actually occurred or do not pertain to the reporting entity (FAM 395 B: 1) 16. Imputed Financing costs do not represent economic events that actually occurred or do not pertain to the reporting entity (FAM 395B: 1) 17. Real Property, Equipment, Internal Use Software, Inventory, and OM&S transactions do not represent economic events that actually occurred or do not pertain to the reporting entity (FAM 395B: 1) 18. Recorded Depreciation or Amortization Expense is not valid or does not represent depreciation or amortization cost incurred by the related asset (FAM 395B: 1) 19. Transactions are recorded in the current period but the related economic events occurred in a different period (FAM 395B: 2)* 20. Transactions are summarized improperly, resulting in an overstated total (FAM 395B: 3)* 21. Recorded assets are not properly classified (FAM 395B: 1c, 5)** 22. Recorded assets and liabilities do not exist at a given date or may not be properly supported with adequate supporting documentation (FAM 395B: 4)** 23. Adjusting entries are not representative of events that actually occurred, are not properly classified or supported by valid supporting documentation (FAM 395B: 1c)*
Completeness	<ol style="list-style-type: none"> 24. Valid Military Retirement and Other Federal Employment Benefits are not recorded or are improperly summarized (FAM 395B: 5, 7) 25. Valid Environmental and Disposal Liabilities are not recorded or are improperly summarized (FAM 395B: 5, 7)

Wave 4 – Full Financial Statement Audit Key Risks of Material Misstatement	
Financial Statement Assertion	Key Risks of Material Misstatement
	<p>26. Valid Other Liabilities, including Advances from Others, Accrued Unfunded Annual Leave, Contingent Liabilities, Custodial Liabilities, Disbursing Officer Cash, Deposit Funds, Suspense Accounts, Contract Holdbacks, and Other Payroll Related liabilities are not recorded or are improperly summarized (FAM 395B: 5, 7)</p> <p>27. Valid Non – Exchange Revenue transactions are not recorded or are improperly summarized (FAM 395B: 5, 7)</p> <p>28. Valid Exchange Revenue transactions are not recorded or are improperly summarized (FAM 395B: 5, 7)</p> <p>29. Valid costs have not been included in the calculation of customer rates (FAM 395B: 5)</p> <p>30. Investments of the reporting entity exist but are omitted from the financial statements (FAM 395B: 8)</p> <p>31. Cash and Other Monetary Assets of the reporting entity exist but are omitted from the financial statements (FAM 395B: 8)</p> <p>32. Other Assets of the reporting entity exist but are not recorded or are improperly summarized (FAM 395B: 5, 7)</p> <p>33. Accounts Receivable - Intragovernmental exist but are omitted from the financial statements or is improperly summarized (FAM 395B: 5, 7)</p> <p>34. Accounts Receivable - Non- Intragovernmental exist but are omitted from the financial statements or is improperly summarized (FAM 395B: 5, 7)</p> <p>35. Accounts Payable - Intragovernmental exist but are omitted from the financial statements, or are improperly classified or summarized (FAM 395B: 5, 7, 8)</p> <p>36. Accounts Payable - Non - Intragovernmental exists but are omitted from the financial statements, or are improperly classified or summarized (FAM 395B: 5, 7, 8)</p> <p>37. Valid Loans Receivable, Guarantees and Related Debt are not recorded or are improperly summarized (FAM 395B: 5, 7)</p> <p>38. Valid Gross Costs are not recorded or are improperly classified (FAM 395B: 5)</p> <p>39. Valid Imputed Financing costs are not recorded or are improperly summarized (FAM 395B: 5, 7)</p> <p>40. Real Property, Equipment, Internal Use Software, Inventory, and OM&S transactions exists but are omitted from the financial statements or are improperly classified or summarized (FAM 395B: 5, 7, 8).</p> <p>41. Valid Depreciation or Amortization Expense is not recorded or is improperly summarized (FAM 395B: 5, 7)</p> <p>42. Economic Events occurred in the current period, but the related transactions are not recorded or are recorded in a different period (FAM 395B: 5, 6)*</p> <p>43. Transactions are summarized improperly, resulting in an understated total (FAM 395B: 7)*</p> <p>44. Assets and liabilities of the reporting entity exist but are omitted from the financial statements (FAM 395B: 8)**</p>
Valuation	<p>45. Military Retirement and Other Federal Employment Benefits are recorded at incorrect amounts, or valued on an inappropriate basis (FAM 395B: 9, 10)</p> <p>46. Environmental and Disposal Liabilities reported in the financial statements are recorded at incorrect amounts or valued incorrectly, using an inappropriate valuation basis (FAM 395B: 9, 10)</p> <p>47. Other Liabilities, including Advances from Others, Accrued Unfunded Annual Leave, Contingent Liabilities, Custodial Liabilities, Disbursing Officer Cash, Deposit Funds, Suspense Accounts, Contract Holdbacks, and Other Payroll Related liabilities are recorded at incorrect amounts, or valued on an inappropriate basis (FAM 395B: 9, 10)</p> <p>48. Non-Exchange Revenue transactions are recorded at incorrect amounts or measured improperly (FAM 395B: 9, 11)</p> <p>49. Exchange Revenue transactions are recorded at incorrect amount or measured improperly (FAM 395B: 9, 11)</p> <p>50. Customer rates are calculated on an inappropriate basis (FAM 395B: 10)</p> <p>51. Investments included in the financial statements are valued on an inappropriate basis (FAM 395B: 10)</p>

Wave 4 – Full Financial Statement Audit Key Risks of Material Misstatement	
Financial Statement Assertion	Key Risks of Material Misstatement
	52. Cash and Other Monetary Assets included in the financial statements are valued on an inappropriate basis or measured improperly (FAM 395B: 10, 11) 53. Other Assets included in the financial statements are valued on an inappropriate basis (FAM 395B: 10) 54. Accounts Receivable - Intragovernmental included in the financial statements are recorded at incorrect amounts or valued on an inappropriate basis (FAM 395B: 9, 10) 55. Accounts Receivable - Non - Intragovernmental included in the financial statements are recorded at incorrect amounts or valued on an inappropriate basis (FAM 395B: 9, 10) 56. Accounts Payable - Intragovernmental included in the financial statements are recorded at incorrect amounts or valued on an inappropriate basis (FAM 395B: 9, 10) 57. Accounts Payable - Non - Intragovernmental included in the financial statements are recorded at incorrect amounts or valued on an inappropriate basis (FAM 395B: 9, 10) 58. Imputed Financing costs are recorded at incorrect amounts or measured improperly (FAM 395B: 9, 11) 59. Loans Receivable, Guarantees and Related Debt are estimated and recorded at incorrect amounts, or valued using an inappropriate basis (FAM 395B: 9, 10) 60. Gross Costs are recorded at incorrect amounts, or are measured improperly (FAM 395B: 9, 11) 61. Imputing Financing costs are recorded at incorrect amounts, or are measured improperly (FAM 395B: 9, 11) 62. Real Property, General Equipment, Internal Use Software, Inventory, and OM&S included in the financial statements are valued on an inappropriate basis, or are measured improperly (FAM 395B: 10, 11) 63. Depreciation or Amortization expense is calculated improperly and recorded at incorrect amounts (FAM 395B: 9, 11) 64. Transactions are recorded at incorrect amounts (FAM 395B: 9)* 65. Assets and liabilities included in the financial statements are valued on an inappropriate basis (FAM 395B: 10)** 66. Assets and related book values included in the financial statements are valued on an inappropriate basis (FAM 395B: 10)** 67. Revenues and expenses included in the financial statements are measured improperly (FAM 395B: 11)
Presentation and Disclosure	68. Accounts or the transactions they accumulate are not properly classified and described in the financial statements (FAM 395B: 15)* 69. The current period financial statement components are based on accounting principles different than those used in the prior periods presented (FAM 395B: 16)* 70. Information needed for fair presentation in accordance with U.S. GAAP is not disclosed in the financial statements or in the related footnotes (FAM 395B: 17)*
Rights and Obligations	71. The reporting entity does not own or have the rights to recorded assets at a given date, because of liens, pledges or other restrictions (FAM 395B: 12, 13) 72. The reporting entity does not have an obligation for recorded liabilities at a given date (FAM 395B: 14)
* Risks applies to all line items ** Risks apply to balance sheet line items.	

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 processes, (e.g., contract pay) have been achieved. Each FRO has been linked to its relevant financial statement assertions (as indicated with an “X” in the relevant columns), including if the FRO relates 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 for a list of general control objectives based on financial statement assertions.

Wave 4 – Full Financial Statement Audit Financial Reporting Objectives							
Financial Statement Line Items	Financial Reporting Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
Cash and Other Monetary Assets	1. Recorded Cash and Other Monetary Assets exist at a given date, are supported by appropriate detailed records that are accurately summarized and reconciled to the account balance. (FAM 395B: 4b)	x					
	2. All valid Cash and Other Monetary Assets that exist as of the end of the reporting period are recorded in the general ledger and financial statements and are valued using an appropriate valuation basis. (FAM 395B: 8, 10)		x	x			
	3. The reporting entity has the rights to recorded Cash and Other Monetary Assets at a given date. (FAM 395B: 13)					x	
	4. The financial statements and related footnotes contain all required disclosures for fair presentation of Cash and Other Monetary Assets in accordance with U.S. GAAP. (FAM 395B: 17) **				x		
Investments	5. Recorded Investments exist at a given date, are supported by appropriate detailed records that are accurately summarized and reconciled to the account balance. (FAM 395B: 4b)	x					
	6. All valid Investments that exist as of the end of the reporting period are recorded in the general ledger and financial statements and are valued using an appropriate valuation basis. (FAM 395B: 8, 10)		x	x			
	7. The reporting entity has the rights to recorded Investments at a given date. (FAM 395B: 13)					x	
	8. The financial statements and related footnotes contain all required disclosures for fair presentation of Investments in accordance with U.S. GAAP. (FAM 395B: 17) **				x		
Other Assets	9. Recorded Other Assets exist at a given date, are supported by appropriate detailed records that are accurately summarized and reconciled to the account balance. (FAM 395B: 4b)	x					
	10. All valid Other Assets that exist as of the end of the reporting period are recorded in the general ledger and financial statements, are valued using an appropriate valuation basis, and are properly classified and described, (FAM 395B: 8, 10, 15)		x	x	x		

Wave 4 – Full Financial Statement Audit Financial Reporting Objectives							
Financial Statement Line Items	Financial Reporting Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
	11. The reporting entity has the rights to recorded Other Assets at a given date (FAM 395B: 13)					x	
	12. The financial statements and related footnotes contain all required disclosures for fair presentation of Other Assets in accordance with U.S. GAAP (FAM 395B: 17) **				x		
Real Property	13. General Property, Plant and Equipment ¹ assets are recorded at full capitalized cost in the general ledger, using an appropriate valuation basis that is in accordance with U.S. GAAP (FAM 395B: 0)	x	x	x		x	
General Equipment ¹	14. General Property, Plant and Equipment ¹ balances and all the transactions they accumulate are recorded at correct amounts, are properly classified and described in the financial statements. (FAM 395B: 9, 15)	x	x	x		x	
Internal Use Software	15. General Property, Plant and Equipment ¹ asset balances and related footnote disclosures contain all information needed for fair presentation in accordance with U.S. GAAP (FAM 395B: 17)**				x		
Inventory	16. Inventory and OM&S assets included in the financial statements are recorded at correct amounts. (FAM 395B: 9)			x			
Operating Material and Supplies (OM&S)	17. Inventory and OM&S assets included in the financial statements are valued using an appropriate valuation basis (e.g., Latest Acquisition Cost, Standard Price, Actual Cost, Net Realizable Value, Moving Average Cost) in accordance with U.S. GAAP (FAM 395B: 10)			x			
	18. Inventory and OM&S balances and related footnote disclosures contain all information needed for fair presentation in accordance with U.S. GAAP (FAM 395B: 17)**				x		
Accounts Payable – Intragovernmental***	19. Recorded Accounts Payable exist at a given date and pertain to the reporting entity (FAM 395B: 1c)	x					
	20. Valid Accounts Payable that exist as of the reporting date are recorded in the financial statements (FAM 395B: 8)		x				
	21. Accounts Payable included in the financial statements are valued correctly, using an appropriate valuation basis (FAM 395B: 9, 10)			x			
Accounts Payable – Non-Intragovernmental***	22. Recorded Accounts Payable are the reporting entity's obligation at a given date (FAM 395B: 14)					x	
	23. Accounts Payable balances and related footnote disclosures contain all information needed for fair presentation in accordance with U.S. GAAP (FAM 395B: 15, 16)				x		

¹ The G-PP&E category for Wave 4 as it relates to Real Property and General Equipment only addresses the financial reporting objectives for the Accuracy & Valuation and Presentation & Disclosure assertions. However, the G-PP&E category for Wave 4 as it relates to Internal Use Software addresses the financial reporting objectives for all five financial statement assertions. The financial reporting objectives addressing Existence, Completeness, and Rights & Obligations for Real Property and General Equipment are discussed in Wave 3, "Mission Critical Asset E&C Audit."

Wave 4 – Full Financial Statement Audit Financial Reporting Objectives							
Financial Statement Line Items	Financial Reporting Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
Military Retirement and Other Federal Employment Benefits	24. Actuarial calculations related to Military Retirement and Other Employment Benefits are accurately recorded, supported by complete and accurate data, and valid assumptions that comply with specified laws and regulations. (FAM 395B: 9, 10)	x	x	x			
	25. All Military Retirement and Other Employment Benefits accruals that exist as of the reporting date are recorded in the financial statements. (FAM 395B: 8)		x				
	26. Military Retirement and Other Employment Benefits liability exists at a given date, is valued and summarized on an appropriate basis and is properly described and described in the financial statements (FAM 395B: 3, 7, 15)	x		x	x		
	27. Military Retirement and Other Employment Benefits non-actuarial liabilities agree to the amounts allocated by the Department of Labor, Office of Personnel Management or other agencies, and the related expense is calculated correctly, summarized and recorded in the financial statements accurately (FAM 395B: 3, 7, 9)			x	x		
	28. Military Retirement and Other Employment Benefits accrual balances and related footnote disclosures contain all information needed for fair presentation in accordance with U.S. GAAP. (FAM 395B: 17)**				x		
Imputed Financing Costs	29. Imputed Financing costs represent economic events that occurred, and are supported by appropriate detailed records that are accurately summarized and reconciled to the account balance. (FAM 395B: 4b)	x					
	30. Recorded Imputed Financing costs that exist as of the end of the reporting period are recorded in the general ledger and financial statements, are valued using an appropriate valuation basis, and are properly classified and described, (FAM 395B: 8, 10, 15)		x	x	x		
	31. The financial statements and related footnotes contain all required disclosures for fair presentation of Imputed Financing costs in accordance with U.S. GAAP (FAM 395B: 17) **				x		
Environmental and Disposal Liabilities	32. Environmental and Disposal Liabilities balances and related footnote disclosures contain all information needed for fair presentation in accordance with U.S. GAAP. (FAM 395B: 17)**				x		
	33. All potential Environmental and Disposal Liabilities are recorded at correct amounts and are valued on an appropriate valuation basis in the general ledger. (FAM 395B: 9, 10)		x	x			
	34. Methodologies for valuing Environmental and Disposal Liabilities are appropriate and used consistently. (FAM 395B: 16)			x	x		x
	35. Recorded Environmental and Disposal Liabilities exist at a given date, and are properly classified and described in the financial statements. (FAM 395B: 4a, 15)	x			x		
	36. Recorded Environmental and Disposal liabilities are the reporting entity's obligations at a given date. (FAM 395B: 14)					x	

Wave 4 – Full Financial Statement Audit Financial Reporting Objectives							
Financial Statement Line Items	Financial Reporting Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
	37. Environmental and Disposal Liabilities are valued on an appropriate valuation basis and are based on accounting principles that are applied consistently from period to period recorded in the financial statements accurately. (FAM 395B: 10, 16)			x		x	
Other Liabilities Includes: Advances from Others	38. Recorded Other Liabilities exist at a given date, are supported by appropriate detailed records that are accurately summarized and reconciled to the account balance are properly classified, and pertain to the reporting entity.(FAM 395B: 4b, 1c)	x					
Accrued Unfunded Annual Leave	39. All Other Liabilities that exist as of the reporting date are included in the financial statements and are properly allocated across appropriate reporting periods. (FAM 395B: 8)		x				
Contingent Liabilities	40. Other Liabilities are valued on an appropriate valuation basis, and are properly classified and described in the financial statements (FAM 395B: 10, 15)			x	x		
Custodial Liabilities	41. Recorded Other Liabilities are the reporting entity's obligation at a given date. (FAM 395B: 14)					x	
Contract Holdbacks	42. All Other Liabilities balances and related footnote disclosures contain all information needed for fair presentation in accordance with U.S. GAAP. (FAM 395B: 17) **				x		
Disbursing Officer Cash	43. Recorded Accounts Receivable and related non-exchange/exchange revenue transactions, underlying events, and related processing procedures are authorized by federal laws, regulations, and management policy. (FAM 395B: 1a)	x					
Deposit Funds and Suspense Accounts	44. Recorded Accounts Receivable and related non-exchange/exchange revenue exist at a given date, is supported by appropriate detailed records that are accurately summarized and reconciled to the account balance (FAM 395B: 4)	x					
Other Payroll-related Liabilities	45. Accounts Receivable and related non-exchange/exchange revenue is properly classified and described in the financial statements, and related footnotes contain all information needed for fair presentation in accordance with U.S. GAAP(FAM 395B: 15, 17)				x		
Accounts Receivable/ Revenue – Non-Intra-governmental	46. All valid Accounts Receivable and related non-exchange/exchange revenue transactions are summarized properly and recorded in the financial statements accurately. (FAM 395B: 3, 5, 7, 9)		x	x			
	47. Accounts Receivable and related non-exchange/exchange revenue included in the financial statements are measured properly. (FAM 395B: 11)			x			
Accounts Receivable/ Revenue -Intra-governmental	48. The reporting entity has the rights to the recorded Accounts Receivable and related non-exchange/exchange revenue. (FAM 395B: 13)					x	

Wave 4 – Full Financial Statement Audit Financial Reporting Objectives							
Financial Statement Line Items	Financial Reporting Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
	49. Accounts Receivable and related non-exchange/exchange revenue balances and disclosures contain all information needed for fair presentation in accordance with U.S. GAAP. (FAM 395B: 17) **				x		
	50. Recorded costs of goods or services used to calculate customer rates, underlying events, and related processing procedures are authorized by federal laws, regulations, and management policy. (FAM 395B: 1a)	x					
	51. Appropriate individuals approve recorded costs of goods or services used to calculate customer rates in accordance with management’s general or specific criteria. (FAM 395B: 1b)	x					
	52. Recorded costs of goods or services used to calculate customer rates represent events that actually occurred, are properly classified, and pertain to the reporting entity. (FAM 395B: 1c)	x					
	53. All valid costs included in the calculation of customer rates have been recorded and classified properly. (FAM 395B: 5)		x				
	54. Customer rates have been calculated on an appropriate basis. (FAM 395B: 10)			x			
	55. Costs of goods or services that have been included in the calculation of customer rates are actual obligations of the reporting entity. (FAM 395B: 14)					x	
	56. Customer rates are based on accounting principles that are applied consistently from period to period. (FAM 395B: 16)				x		
Loans Receivable, Guarantees and Related Debt	57. Recorded Loans Receivable, Guarantees and Related Debt exists at a given date, represent events that actually occurred, is supported by appropriate detailed records that are accurately classified and summarized (FAM 395B: 1,4b)	x					
	58. All valid Loans Receivable, Guarantees and Related Debt that exist as of the reporting date are included in the financial statements, and are valued using an appropriation valuation basis (FAM 395B: 8, 10)		x	x			
	59. The reporting entity has rights to the recorded Loans Receivable and all Guarantees and Related Debt are the reporting entity’s obligations at a given date (FAM 395B: 13, 14)					x	
	60. Loans Receivable, Guarantees and Related Debt asset and liability balances are properly classified and described in the financial statements, and disclosures contain all information needed for fair presentation in accordance with U.S. GAAP. (FAM 395B: 15, 17) **				x		
Gross Costs***	61. Recorded Gross Costs represent economic events that actually occurred, are properly classified, and pertain to the reporting entity (FAM 395B: 1c)	x					
	62. Valid Gross Costs are recorded and classified properly (FAM 395B: 5)		x				

Wave 4 – Full Financial Statement Audit Financial Reporting Objectives							
Financial Statement Line Items	Financial Reporting Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
	63. Gross Costs are recorded at correct amounts and are measured properly (FAM 395B: 9, 11)			x			
	64. Gross Costs in the Statement of Net Cost and related footnote disclosures contain all information needed for fair presentation in accordance with U.S. GAAP. (FAM 395B: 15, 16, 17)				x		
Depreciation Expense	65. Recorded Depreciation or Amortization Expense represents valid costs incurred by the asset, is properly classified and pertains to the reporting entity (FAM 395B: 1c)	x					
	66. All valid Depreciation or Amortization Expense is calculated, accumulated and recorded at correct amounts and is classified properly. (FAM 395B: 5)		x				
Amortization Expense	67. Depreciation or Amortization Expense is recorded at correct amounts, based on the capitalized cost, useful life, date of service, and salvage value of the asset, and is measured properly. (FAM 395B: 9, 11)			x			
	68. The financial statements and related footnote disclosures include all depreciation and amortization information (i.e., depreciation and amortization methods and expense amounts, asset useful life and salvage value) needed for fair presentation in accordance with U.S. GAAP. (FAM 395B: 17)**				x		
All Line Items	69. Adjusting entries are representative of events that actually occurred, are properly classified and described in the financial statements, and are supported by valid supporting documentation. (FAM 395B:1c, 15)	x			x		
	70. Appropriate individuals approve recorded transactions in accordance with management’s general or specific criteria. (FAM 395B:1b)	x					
	71. All accounts, assets and liabilities that exist as of the reporting date that belong in the financial statements are included in the financial statements. There are no undisclosed assets or liabilities (FAM 395B: 8)		x				
	72. The financial statement components are based on accounting principles that are applied consistently from period to period (FAM 395B: 16)				x		
	73. The financial statements and related footnotes contain all information needed for fair presentation in accordance with U.S. GAAP. (FAM 395B: 17)				x		
	74. Recorded assets and related processing procedures are authorized by federal laws, regulations, and management policy. (FAM 395B: 1a)	x					x
	75. Access to assets, critical forms, records, and processing and storage areas is permitted only in accordance with laws, regulations, and management policy. (FAM 395B: 4c)	x					x

Wave 4 – Full Financial Statement Audit Financial Reporting Objectives							
Financial Statement Line Items	Financial Reporting Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
	76. Persons do not have uncontrolled access to both assets and records, and are not assigned duties to put them in a position that would allow them to both commit and conceal errors or fraud. (FAM 395B: 18)	x	x	x		x	
<p>** 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.</p> <p>*** The Assessable Unit Risks and Outcomes section below identifies financial reporting risks and related financial reporting objectives for the Accounts Payable (Intragovernmental and Non-Intragovernmental) and Gross Costs financial statement line items. Although not identified as assessable units, reporting entities should have considered the audit readiness impact for these financial statement line items while completing their Wave 2 activities. Transactions affecting these line items are recorded in both budgetary and proprietary accounts, which should have been addressed in Wave 2 assessable units such as contract pay, vendor pay, civilian pay and military pay. If proprietary accounts were not considered during Wave 2, reporting entities are required to ensure they have identified financial reporting risks and objectives, and tested control activities to mitigate those risks and meet those objectives, in Wave 4. Accordingly, they are listed here as supplementary Wave 4 requirements. The associated key supporting documents continue to be listed in the Wave 2 tables and are not repeated here.</p>							

Key Supporting Documents

The following table lists the minimum internal controls documentation and supporting documentation required to support activity and balances asserted as audit-ready for Wave 4. Each document indicates which financial statement assertions are potentially met by that specific document. Internal control documentation is marked as satisfying all financial statement assertions, because the specific control activities described in the internal control documentation will determine which financial statement assertions are met.

Wave 4 – Full Financial Statement Audit Key Supporting Documents							
Financial Statement Line Items	Documentation Type	Key Supporting Documents	Financial Statement Assertions				
			Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
All Financial Statement Line Items	Internal Control Documentation	1. Statement-to-process analyses quantifying the dollar amount and volume 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, financial reporting objectives (FROs) and corresponding control activities	x	x	x	x	x
		5. Test plans documenting detailed 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 evidencing the operation of internal control activities for the period under audit. Examples include: <ul style="list-style-type: none"> Approval signature documentation (electronic or manual) demonstrating authorization for an acquisition System edit checks alerting users that new obligations are for proper purpose and amount APSRs balances that reconcile to general ledger balances 	x	x	x	x	x
		9. System inventory list, listing of system users and their access privileges	x	x	x	x	x
		10. Journal vouchers, adjustments and corresponding supporting documentation	x	x	x	x	x
Real Property	Transaction Documentation	11. Obligating documents supporting asset acquisition cost and any related asset improvements, such as contracts/ statements of work, work orders, reimbursable agreements, MIPRs, purchase orders, receiving reports and invoices, and appraisal reports for donated assets. Note: Documentation must demonstrate how a modification increases functionality and the estimated useful life of the asset.	x	x	x		x
Equipment		12. Documentation supporting transfer of cost information from Construction in Progress (CIP) accounts to the fixed asset account (DD-1354 Transfer and Acceptance of Real Property)			x	x	
Inventory		13. Documentation supporting “placed-in-service” date (e.g., DD 1354, “Transfer and Acceptance of Real Property”, DD-250, Material Receiving and Inspection Report”, receiving report), including documentation supporting the useful life estimate for recognition of depreciation expense			x		x
Operating Material and Supplies		14. Documentation supporting mathematical calculations for recorded depreciation/amortization (demonstrating that the system is correctly calculating depreciation/amortization expense for a sample of assets, appropriately considering additions/betterments, etc. that may affect useful lives and acquisition costs over the life of assets)			x		
Internal Use Software (including amortization expense)							

Wave 4 – Full Financial Statement Audit Key Supporting Documents							
Financial Statement Line Items	Documentation Type	Key Supporting Documents	Financial Statement Assertions				
			Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
Depreciation Expense		15. Reconciliation of detailed listing of all assets from APSRs/ source systems to trial balance and general ledger			x		
		16. Summary schedule reporting the amounts/quantities by class of assets			x		
		17. Reconciliation demonstrating how totals in the detail listing agree to the amounts/quantities reported in the summary schedule			x		
		18. Documentation supporting any retirements, transfers, sales, or other disposal of idle, excess, obsolete or otherwise unusable assets such as: <ul style="list-style-type: none"> • Request for Transfer of Excess Real and Related Personal Property (GSA Form 1334) • Declaration of Excess document • Approval documentation (to include disposal of land) • Documents supporting disposal start date • Documents supporting determination of impairment from performance of physical asset/ inventory counts 			x		x
		19. Documentation supporting the allocation methodology for direct labor costs and the distribution methodology for indirect labor costs and overhead costs for internally developed software (software development stage only)	x	x	x		x
		20. Documentation supporting the purchase of commercial off-the-shelf (COTS) purchases, plus any costs incurred for implementation	x	x	x		x
		21. Documentation supporting the amounts paid to the contractor to design, program, install, and implement new software or to modify existing software, plus any costs incurred for implementation	x	x	x		x
		22. The fixed assets, inventory and OM&S reported in the financial statements and related footnotes contain all information needed for fair presentation in accordance with U.S. GAAP (FAM 395B: 17)				x	
Accounts Payable – Intra-governmental		23. Billing document such as vendor invoice or equivalent	x	x	x		x
		24. Receiving Report	x	x	x		x
Accounts Payable – Non Intragovernmental		25. Accrual estimate support (in instances where invoice has not been received or to support payroll accrual calculation)	x	x	x		x

Wave 4 – Full Financial Statement Audit Key Supporting Documents							
Financial Statement Line Items	Documentation Type	Key Supporting Documents	Financial Statement Assertions				
			Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
Military Retirement and Other Employment Benefits		26. Memoranda from a determining federal agency (e.g., Office of Personnel Management and Department of Labor) showing the reporting entity's allocation of employment related liabilities (funded and unfunded) such as civilian pension, FECA and unemployment	x		x		x
		27. Schedule(s) detailing calculation of current year expenses			x		
		28. Detail listing of factors, data, assumption, and formulas used to prepare the actuarial calculations for each sub-process involved in the projection		x	x		
Imputed Financing Sources		29. Documentation supporting any significant changes in actuarial calculations from prior year			x		
		30. Documentation supporting evaluation of actual to expected results supporting accuracy of models used			x		
		31. Documentation supporting the terms of any intra-departmental agreements (e.g., MOA, MOU, operating agreement, etc.)	x				x
		32. Detail listing of amounts paid during the fiscal year from the Federal Judgment Fund to settle lawsuits and claims against the reporting entity			x		
		33. Detail calculations and support for other imputed financing costs			x		
Environmental and Disposal Liabilities		34. Reconciliation of the detail listing of Environmental and Disposal Liabilities to the amounts reported in the general ledger and financial statements, including appropriate explanations for reconciling items	x	x	x		x
		35. Record of Decision (ROD)	x		x		x
		36. Contract, invoices, receiving reports/status reports	x		x		x
		37. Documentation supporting clean-up cost estimates and related facts and assumptions			x		
Other Liabilities Includes: Advances from Others		38. Documentation supporting site identification and clean-up actions, such as results of site inspections, comparisons to EPA listings, and publicly available RCRA/CERCLA supporting documentation		x			
		39. Ordering Document: MIPR, Reimbursable Agreement, Customer Order, etc.	x				x
Accrued Unfunded Annual Leave		40. Advice of collection, deposit ticket, photocopies of checks received for advances received	x		x		
		41. IPAC/Goals report evidencing amounts advanced			x		
Contingent Liabilities		42. Reconciliations of advances from others showing amounts received, revenue earned and remaining liabilities	x	x	x		
		43. Invoices and calculations of penalties, interest or administrative fees collected	x		x		

Wave 4 – Full Financial Statement Audit Key Supporting Documents							
Financial Statement Line Items	Documentation Type	Key Supporting Documents	Financial Statement Assertions				
			Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
Custodial Liabilities		44. Invoices, IPAC billings (using GOALS reports) supporting any reductions of advances for amounts earned	x		x		
Disbursing Officer Cash		45. Reconciliation of Disbursing Officer Cash to general ledger account balance or equivalent, evidence of foreign exchange rates, receipts for disbursements and requests for replenishment	x	x	x	x	
Deposit Funds Suspense Accounts		46. Individual employee-level listing of hours, hourly rates, and total dollar amount of unfunded leave liability that reconciles to amount recorded in the financial statements		x	x		x
Other Payroll-related Liabilities		47. Timesheets & leave earning reports that support the amount of leave taken and earned, respectively, by pay period for individual employees			x		x
		48. SF-50s & SF-52s that support the hourly rate for leave liability calculation (supporting the grade/step/locality) for individual employees	x		x		
		49. Legal representation letter prepared by the Office of General Counsel (in accordance OMB Bulletin No. 14-02, Section 9)	x	x	x		x
		50. Management's schedule of legal liabilities (in accordance OMB Bulletin No. 14-02, Section 9)	x	x	x		x
		51. Reconciliation of Custodial and Deposit Fund assets to the associated liabilities			x		
		52. Reconciliation and aging of Suspense Account items			x		
		53. Public law demonstrating authority to collect non-exchange revenue					x
Accounts Receivable/ Revenue– Intragovernmental		54. Deposit tickets (SF-215s), IPAC/GOALs reports, supporting cash collection dollar amounts	x		x		
		55. Other support to demonstrate completeness of reported revenue (e.g., reconciliation to trust fund collections)		x			
		56. Documentation supporting collection of exchange revenue (e.g., MIPR acceptance, reimbursable agreements, vendor invoices, contracts)	x		x		
Accounts Receivable/ Revenue-Non-intragovernmental		57. Invoices, collection histories, other documentation supporting an accounts receivable.	x		x		
		58. Copy of Treasury Report of Receivables and documentation supporting preparation and contents of the report	x		x	x	
		59. Schedule of calculation of allowance for uncollectible accounts (non-intragovernmental only) and documentation supporting the methodology and assumptions used			x		
		60. Cost accounting records including a detailed listing of factors, data, assumptions and formulas used in the calculation of current year customer rates	x		x		

Wave 4 – Full Financial Statement Audit Key Supporting Documents							
Financial Statement Line Items	Documentation Type	Key Supporting Documents	Financial Statement Assertions				
			Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
		61. Budget-to-actual analysis of data used to calculate prior year customer rates			x		
		62. Timecards, SF-50s and SF-52s supporting any labor costs that have been included in the calculation of customer rates	x		x		
		63. Contracts and invoices supporting any direct or indirect costs that have been included in the calculation of customer rates	x		x		x
Cash and Other Monetary Assets		64. Deposit tickets (SF-215s), IPAC/GOALs reports, supporting cash collection dollar amounts					
		65. Cash receipts logs	x	x	x		
		66. Bank reconciliations and bank cutoff statements					
		67. Checks, IPAC statements					
Investments		68. Bureau of Public Debt account statement or investment report					
		69. Investment subsidiary ledger with detailed investment activity including all purchases, interest income, discount/amortization, redemptions, etc.	x		x		
Loans Receivable, Guarantees and Related Debt		70. Loan contracts, guarantee agreements, modifications, project status reports, loan servicing histories and any historical documents that support underlying assumptions	x		x		x
		71. Documentation supporting calculation of subsidy cost allowances, subsidy expense and loan guarantee liabilities including desk procedures, default rates, discount factors and loan histories, including support for any changes in assumptions, actuarial studies			x		
		72. Worksheets documenting computation of subsidy estimates and loan guarantee liabilities			x		
Gross Costs		73. Documents supporting expenses incurred such as: invoices or other billing documents, receiving reports, IPACs, travel vouchers and receipts, credit card statements, etc. Note: For payroll transactions, SF 52s (Request for Personnel Actions), SF 50s (Notification of Personnel Action), and timesheets support recorded payroll expenses.	x	x	x		x
		74. Documents to support accrual estimates recorded (in instances where invoice has not been received or to support payroll accrual calculations)	x	x	x		x