Financial Improvement and Audit Readiness Methodology
Assertion Work Product Example
Quantitative Drill Down – Level 1 and Level 2

Detailed Activity 1.1.2(a) – Prepare Quantitative Drill Down – Level 1 (Reporting Entities)
Detailed Activity 1.1.2(b) – Prepare Quantitative Drill Down – Level 2 (Reporting Entities)
Detailed Activity 1.3.2(a) – Prepare Quantitative Drill Down – Level 1 (Service Providers)
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NOTE: The Tool/Template/Work Product below includes instructions for preparing both Level 1 and Level 2 Quantitative Drill Downs. There are two example Quantitative Drill Downs included in a separate Microsoft Excel workbook.

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Quantitative Drill Down Examples

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Financial Improvement and Audit Readiness Methodology
Assertion Work Product Example
Quantitative Drill Down Instructions

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Note: This document contains detailed instructions for preparing a Quantitative Drill Down (Level 1 and Level 2). The purpose of the work product is to quantitatively identify material financial statement line items and business processes by depicting the dollar activity of assessable units (AUs) and sub-AUs. The goal is to provide focus for audit readiness efforts.

1. **Import the financial statement into Microsoft Excel.** The financial statement being analyzed should be imported or entered into a Microsoft Excel workbook.

2. **Determine material line items.** The Department has concluded that all amounts greater than one percent are considered material.

   Using the Balance Sheet as an example, a Reporting Entity would divide the dollar value of each line item on the face of its Balance Sheet by the value of its total assets. Any line item that accounts for more than one percent of total assets would be considered to be material.

3. **Disaggregate each material line item by feeder system.** Once material line items have been determined, the reporting entity should disaggregate each line item by its feeder systems.

4. **Reconcile feeder system balances to U.S. Standard General Ledger (USSGL) balances.** Once the feeder systems that comprise a line item have been disaggregated, the reporting entity should reconcile relevant feeder system balances to corresponding USSGL balances to ensure that they agree.

5. **Determine the business processes, classes of assets or liabilities or classes of transactions that comprise each feeder system balance.** After feeder system balances have been reconciled to corresponding USSGL balances, the reporting entity should perform an analysis of each feeder system balance to determine the business processes, classes of assets or liabilities or classes of transactions that comprise each feeder system balance.

6. **Designate AUs based upon the business processes, classes of assets or liabilities or classes of transactions identified.** After a reporting entity has identified the business processes, classes of assets or liabilities or classes of transactions that comprise its feeder system balances, the entity should designate AUs.

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A Reporting Entity should consider the business processes, classes of assets or liabilities or classes of transactions that comprise each balance in order to facilitate the designation of specific AUs.

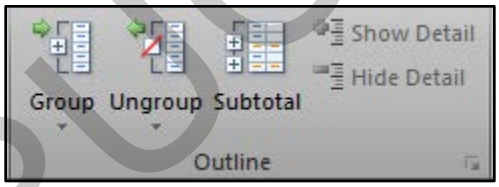
Section 4.A.3 of the April 2015 FIAR Guidance provides guidance that can be used by Reporting Entities to understand and identify AUs.

7. **Determine the quantitative value of each AU.** Subsequent to the designation of AUs, the reporting entity should determine the dollar value of each AU by summing the value of the feeder system balances that comprise the AU.

8. **Ensure the sum of the AUs reconciles to the sum of feeder system balances being analyzed.** Upon determining the dollar value of each AU, the entity should ensure that the total value of its AUs reconciles to the corresponding feeder system balances.

9. **Incorporate designated AUs into the Quantitative Drill Down.** Upon ensuring the sum of the AUs reconciles to the sum of the feeder system balances being analyzed, the designated AUs should be incorporated into the Quantitative Drill Down.

   The dollar value of the AUs comprising each material line item should be inserted in rows directly beneath each line item and grouped using the 'Group' function, which appears among the 'Data' options in Microsoft Excel.



   This breakdown represents the Quantitative Drill Down – Level I and will correlate to the AUs presented in the third swim lane of the Statement to Process Analyses prepared as part of Detailed Activity 1.1.1 of the FIAR Methodology.

10. **Determine the sub-processes, sub-classes of assets or liabilities, or sub-classes of transactions that comprise each AU that has been incorporated into the Quantitative Drill Down.** After designated AUs have been incorporated into the Quantitative Drill Down, the reporting entity should perform an analysis of each AU to determine the sub-processes, sub-classes of assets or liabilities or sub-classes of transactions that comprise the AU.

11. **Designate sub-AUs based upon the sub-processes, sub-classes of assets or liabilities, or sub-classes of transactions identified.** After a Reporting Entity has identified sub-processes, sub-classes of assets or liabilities, or sub-classes of transactions, it should then proceed to designate sub-AUs.

    The purpose of breaking an AU down into sub-AUs is to make subsequent FIAR Methodology activities more manageable. A Reporting Entity should consider the sub-

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processes, sub-classes of assets or liabilities, or sub-classes of transactions that comprise the AU in order to facilitate the designation of specific sub-AUs.

12. **Determine the quantitative value of each sub-AU.** Subsequent to the designation of sub-AUs, the Reporting Entity should determine the dollar value of each sub-AU. Determination of the quantitative value of each sub-AU can be accomplished by an analysis of feeder system, USSGL or object class code balances to isolate specific activity that comprises the sub-AUs that have been designated.

13. **Incorporate designated sub-AUs into the Quantitative Drill Down.** After a Reporting Entity has determined the quantitative value of each sub-AU, the sub-AUs should be incorporated into the Quantitative Drill Down.

    The dollar value of the sub-AUs comprising each AU should be inserted in rows directly beneath each AU and grouped using the 'Group' function. This breakdown represents the Quantitative Drill Down - Level II and will correlate to the sub-AUs presented in the fourth swim lane of the Statement to Process Analyses prepared as part of Detailed Activity 1.1.1 of the FIAR Methodology for Reporting Entities using a balance-based approach.

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