

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 their SBR. The financial transactions that are 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 shown in **Figure 1**, the Department’s strategy for the SBRs 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 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 2], appropriations (addressed in Wave 1) [SBR line 3A], contract authority [SBR line 3C], reimbursable activity [SBR line 3D], non-expenditure transfers [SBR line 4] and rescissions [SBR line 6], status of budgetary resources – including direct [SBR line 8A] and reimbursable [SBR line 8B] obligations incurred under various procure-to-pay and hire-to-retain processes (vendor purchases, civilian and military payroll, travel, Military Interagency Purchase Requests (MIPRs), etc.), and ending unobligated balances [SBR lines 9 – 10],

- *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 12 through 18C],
- *Net Outlays* – including cash disbursement and collection activity, along with distributed offsetting receipts [SBR lines 19A – 19D], 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, Key Control Objectives, Assessable Unit Risks and Outcomes, and Key Supporting Documents

Risks

The following table presents the key ROMM related to the Wave 2, SBR Audit, by 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 mitigate these risks by designing and implementing control activities.** Refer to the KCOs in separate tables following these risk tables for further details.

Financial Statement Assertions	Statement of Budgetary Resources Wave 2 – SBR Audit Key Risks of Material Misstatement
Existence	<ol style="list-style-type: none"> 1. 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) 2. Recoveries of prior year obligations are incorrect or are no longer available (GAO-02-126G; p.28) 3. Recorded budget authority does not exist (e.g., not authorized by Public Law) (FAM 395B: 4) 4. Spending authority from offsetting collections do not exist, are not supported by an authorized agreement or are not yet earned (FAM 395B: 4) 5. Recorded transfers are not properly authorized (FAM 395B: 1) 6. Budgetary resources not available for obligation are not properly reported (GAO-02-126G; p. 29) 7. Recorded obligations do not represent valid orders, contracts, or other events that will require future payment (GAO-02-126G; p. 31) 8. Obligations are recorded in bulk amounts not supported by binding agreements (FAM 395F: 01e) 9. Obligations are not properly liquidated when transactions are completed (GAO-02-126G; p. 34) 10. Recorded outlays are for invalid or unauthorized transactions and/or are not supported by disbursement evidence (GAO-02-126G: p. 35). Recorded Collection or Receipt transactions are not valid or available for obligation during the year (GAO-02-126G: p. 27, 36) 11. Transactions are recorded in the current period, but the related economic events occurred in a different period (FAM 395 B: 2)* 12. Transactions are summarized improperly, resulting in an overstated total (FAM 395B: 3)*
Completeness	<ol style="list-style-type: none"> 13. All unobligated available balances brought forward are not recorded (GAO-02-126G: p. 26) 14. All recoveries of prior year obligations that are available for obligation are not recorded as recoveries in

Financial Statement Assertions	Statement of Budgetary Resources Wave 2 – SBR Audit Key Risks of Material Misstatement
	<p>the SBR (GAO-02-126G: p. 28)</p> <ol style="list-style-type: none"> 15. All new budget authority made available for obligation was not recorded (GAO-02-126G: p. 26) 16. All available and authorized spending authority is not recorded (GAO-02-126G: p. 27) 17. Transfers are not recorded in the correct period (FAM 395B: 6) 18. All canceled, restricted, or limited budgetary resources are not included as reductions on the SBR (GAO-02-126G: p. 27) 19. All obligations incurred are not properly recorded (GAO-02-126G: p. 31) 20. An agency may have placed an order for goods/services and not recorded the Undelivered Order (UDO) amount (GAO-02-126G: p. 34) 21. 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) 22. All appropriate outlays and adjustments are not recorded (FAM 395F: 01g) 23. All valid and authorized collection or receipt transactions are not recorded (GAO-02-126G: p. 27, 36) 24. Economic events occurred in the current period, but the related transactions are recorded in a different period (FAM 395B: 6)* 25. Transactions are summarized improperly, resulting in an understated total (FAM 395B: 7)*
Valuation	<ol style="list-style-type: none"> 26. Unobligated balances brought forward are recorded at incorrect amounts (GAO-02-126G: p. 26) 27. Recoveries of prior year obligations are incorrectly calculated (GAO-02-126G: p. 28) 28. New budget authority was recorded at incorrect amounts (GAO-02-126G: p. 25) 29. Apportionment amounts do not agree to the total appropriated amount (FAM 395F: 01b) 30. Allotted amounts do not agree to appropriated/apportioned amounts (FAM 395F: 01c) 31. Spending authority from offsetting collections is not recorded at the correct amount (GAO-02-126G: p. 27) 32. Transfers are not recorded at the correct amount (FAM 395B: 9) 33. Budgetary resources temporarily or permanently not available for obligation are recorded at incorrect amounts (FAM 395B: 9) 34. Obligations not are recorded at the proper amounts (GAO-02-126G: p. 31) 35. 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) 36. Outlays and adjustments are reported at incorrect amounts (FAM 395F: 01g) 37. Collections or Receipts are misstated (GAO-02-126G: p. 27, 35)
Presentation and Disclosure	<ol style="list-style-type: none"> 38. Accumulated accounts or transactions are not properly classified and described in the SBR and SF-133 (FAM 395B: 15) 39. The current period SBR is based on accounting principles different from those used in prior periods presented (FAM 395B: 16) 40. 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	<ol style="list-style-type: none"> 41. Agencies do not have rights to budgetary resources reported on the SBR, including collection and/or receipt activity (FAM 395F: 01a) 42. Unobligated balances are misstated and expired balances or errors are carried forward into next year's balances (GAO-02-126G: p. 32) 43. UFCOs related to expired agreements are included in the uncollected customer payments balance (FAM 395B: 13) 44. Agency is not contractually or legally bound to the obligation and therefore, related outlays should not be made, recorded or reported (FAM 395F: 01j)
<p>* Risk Applies to all SBR line items.</p>	

Financial Statement Assertions	Fund Balance with Treasury Wave 2 – SBR Audit Key Risks of Material Misstatement
Existence	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 6. FBWT transactions are recorded at incorrect amounts (FAM 921C: 3)
Presentation and Disclosure	<ol style="list-style-type: none"> 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	<ol style="list-style-type: none"> 10. The entity does not have rights to the recorded FBWT amounts (FAM 921C: 5) 11. Recorded FBWT is owned by others (FAM 921C: 4)

Key Control Objectives

The following table presents the KCOs (by SBR line item) that must be achieved in Wave 2 by designing and implementing effective control activities. It is the reporting entity’s responsibility to design and implement internal controls that will achieve the KCOs. Note that some SBR line items are listed more than once because different groups of KCOs link to different combinations of line items. Therefore, it is important to review the entire table to ensure a complete list of KCOs relevant to a particular assessable unit/line item. Each KCO has been linked to its relevant financial statement assertions (as indicated with an “X” in the relevant columns), including if the KCO relates to compliance with laws and regulations. At the end of each KCO is a source reference. This is not a complete listing of control objectives, but rather those KCOs 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 KCOs 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.

Statement of Budgetary Resources Wave 2 – SBR Audit Key Control Objectives							
Line Items	Key Control Objectives	Financial Statement Assertions					Compliance
		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					
	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 October 1	9. Recorded unobligated balances from prior periods remain available for obligation and pertains to the 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			
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 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				

Statement of Budgetary Resources Wave 2 – SBR Audit Key Control Objectives							
Line Items	Key Control Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
Spending Authority from Offsetting Collections (including Earned: Collected, Earned: Change in receivables from Federal Sources, Change in Unfilled Customer Orders: Advance Received, Change in Unfilled Customer Orders: Without Advance from Federal Sources)	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 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	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			
Nonexpenditure Transfers, net, Anticipated and Actual	18. Recorded non-expenditure transfers represent valid transfers authorized by OMB and pertain to the 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			
Temporarily not Available Pursuant to Public Law	20. Reported amounts not available (temporarily or permanently) represent valid restrictions on the availability of budget authority or cancellations, pertain to the entity and are supported by available documentation (GAO-02-126G: p. 26)	X				X	
Permanently not Available	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 KCOs referencing	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)						X

Statement of Budgetary Resources Wave 2 – SBR Audit Key Control Objectives							
Line Items	Key Control Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
“adjustments” to obligations)	24. Obligations are incurred within the time that the appropriation was available for new obligations (FAM 395F: 01e)					X	X
Obligations Incurred: Direct	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	X
Obligations Incurred: Reimbursable	26. Obligations comply with all other legally binding restrictions such as obligation ceilings or earmarks (FAM 395F: 01e)					X	
Unpaid Obligations, Brought Forward October 1	27. Obligations are not subsequently cancelled nor have the goods or services been received (FAM 395F: 01e)	X				X	
Unpaid Obligations, End of Period	28. Adjustments represent a "contract change" as defined in OMB Circular A-11 (FAM 395F: 01e) and satisfy reporting and approval requirements in that circular						X
	29. Adjustments do not cause the 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	
	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		

Statement of Budgetary Resources Wave 2 – SBR Audit Key Control Objectives							
Line Items	Key Control Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
	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 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	X
	40. For expended authority transactions in expired accounts, transactions are not made out of closed accounts (FAM 395F: 01f)					X	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		
Unobligated Balance: Apportioned	45. Unobligated balances exist and represent available or not available (expired) funds and pertain to the 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					
Unobligated Balance: Exempt	47. All unobligated funds are recorded (FAM 395B: 05)		X				

Statement of Budgetary Resources Wave 2 – SBR Audit Key Control Objectives							
Line Items	Key Control Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
from Apportionment Unobligated Balances Not Available	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		
	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	X
	51. Indefinite appropriation accounts are closed if (1) the 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	X
Unpaid Obligations, Brought Forward October 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 entity (FAM 395B: 01a, 14)	X				X	
Uncollected customer payments from Federal Sources, Brought Forward October 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)			X	X		
Uncollected Customer Payments from Federal Sources, End of Period							
Gross Outlays	55. Outlays represent valid, authorized transactions and pertain to the entity (FAM 395F: 01j)	X				X	

Statement of Budgetary Resources Wave 2 – SBR Audit Key Control Objectives							
Line Items	Key Control Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
	56. Outlays are recorded against obligations made during the period of availability of the appropriation (as applicable) (FAM 395F: 01f)					X	X
	57. All outlays are recorded (FAM 395F: 01g)		X				
	58. Outlays are recorded at the correct amounts (FAM 395F: 01g)			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: 01g)				X		
	60. Outlays are recorded in the proper period (FAM 395F: 01g)	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: 01j)	X			X		
Gross Outlays	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: 01g)						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: 01g)						X
Offsetting Collections	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
Distributed Offsetting Receipts	65. Recorded offsetting collections are available for obligation during the year and were recorded in the proper accounts (GAO-02-126G, p. 27)	X					
	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				

Statement of Budgetary Resources Wave 2 – SBR Audit Key Control Objectives							
Line Items	Key Control Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
	69. All current year offsetting collections and/or receipts are recorded at the correct amounts (FAM 395B: 9)			X			
	70. The 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.							
FBWT	72. Recorded FBWT amounts exist as of a given date. (FAM 921C: 1a)	X					
Indirectly: Obligated and Unobligated Balances, Brought Forward, October 1, and End of Period	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 entity's general ledger and are submitted to Treasury in a timely manner (FAM 921: 10)**	X	X	X	X		
	75. Reconciling items identified during the FBWT reconciliation process are researched and resolved in a timely manner (FAM 921:18)**	X	X	X		X	
	76. Transactions recorded in budget clearing and/or suspense accounts are researched and resolved/cleared in a timely manner (FAM 921: 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		

Statement of Budgetary Resources Wave 2 – SBR Audit Key Control Objectives							
Line Items	Key Control Objectives	Financial Statement Assertions					Compliance
		Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations	
	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 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	X
	83. The entity has the rights to recorded FBWT at a given date – FBWT balance is reflective of 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.
**** KCO related to the FBWT Reconciliation Process**

Assessable Unit Risks and Outcomes

For the most common Wave 2 assessable units throughout DoD, FIAR has defined baseline financial reporting risks and related outcomes. Specifically, FIAR has identified the key risks for these assessable units that may cause a financial statement balance to be inaccurate or invalid. Once the risks are mitigated the related assessable unit outcome is achieved. **Figure 2** depicts how the tailored risks and outcomes relate to the Wave 2 risks of material misstatement and key control objectives identified.

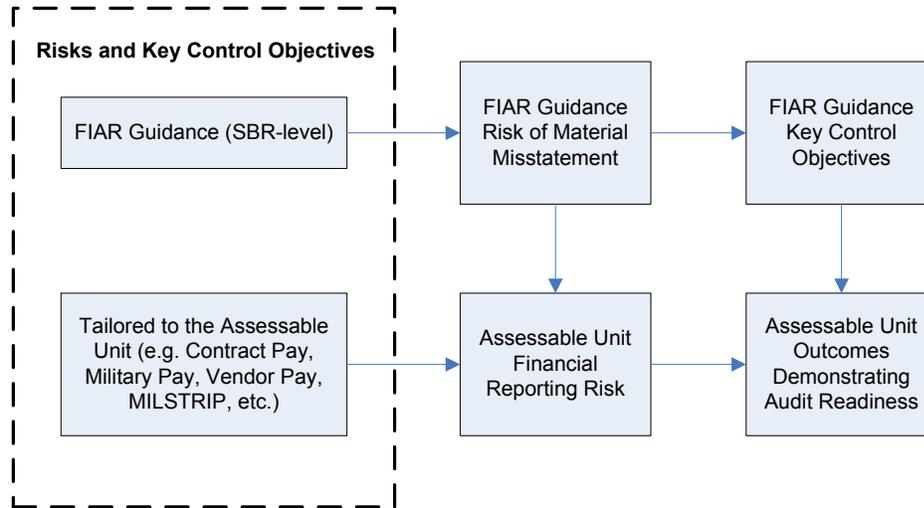


Figure 2. Relationship of Wave 2 Risks and Key Control Objectives to Assessable Unit Financial Reporting Risks and related Outcomes

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
Contract Pay				
1	All obligations may not be recorded timely	SBR Wave 2, ROMM #20	All obligations are recorded in the correct period and within 10 days of award	SBR Wave 2, KCO #33
2	Obligations may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #7, 8, 11, 12, 19, 34, 44	Obligations are recorded accurately (correct amount, Treasury account, vendor, line of accounting (agrees to requisition), reporting entity) and contracts are valid (authorized/approved transactions supported by contract)	SBR Wave 2, KCO #24, 25, 26, 30, 31, 32, 34, 35, 53, 54
3	All accruals and/or payables may not be recorded timely	SBR Wave 2, ROMM #21	All accruals and/or payables (for goods/services received not yet invoiced) are recorded in the correct period and within 10 days of receipt	SBR Wave 2, KCO # 41, 43
4	Accruals and/or payables may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #34	All accruals and/or payables are recorded accurately (correct amount, Treasury account, contract/obligation/line of accounting, reporting entity) and invoices are valid (authorized/approved transactions supported by evidence goods/services were received or otherwise due)	SBR Wave 2, KCO #37, 39, 40, 42, 43, 44, 53, 54
5	All disbursements may not be recorded timely	SBR Wave 2, ROMM #22	All disbursements are recorded in the correct period and within 10 days of payment	SBR Wave 2, KCO #57, 60
6	Disbursements may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #10, 36	Disbursements are recorded accurately (correct amount, Treasury account, contract/obligation/line of accounting, reporting entity) and disbursements are valid (authorized/approved transactions supported by invoice and receiving report)	SBR Wave 2, KCO #55, 56, 58, 59, 61

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
7	Stale or invalid obligations and accruals may not be removed	SBR Wave 2, ROMM #2, 9, 14, 27	All obligations and accruals are reviewed, and adjusted as necessary, at least three times per year	SBR Wave 2, KCO #11, 12, 22, 27, 43
8	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives
MILSTRIP				
1	All obligations may not be recorded timely	SBR Wave 2, ROMM #20	All obligations are recorded in the correct period and within 10 days	SBR Wave 2, KCO #33
2	Obligations may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #7, 8, 11, 12, 19, 34, 44	Obligations are recorded accurately (correct amount, Treasury account, line of accounting, reporting entity) and are valid (authorized/approved transactions supported by requisition documentation)	SBR Wave 2, KCO #24, 25, 26, 30, 31, 32, 34, 35, 53, 54
3	All receipt/payables may not be recorded timely	SBR Wave 2, ROMM #21	All receipts/payables (for goods received not yet invoiced) are recorded in the correct period and within 10 days of receipt	SBR Wave 2, KCO # 41, 43
4	Receipt/Payables may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #34	All receipts/payables are recorded accurately (correct amount, line of accounting, obligation, Treasury account, reporting entity) and are valid (authorized/approved transactions supported by evidence goods were actually received)	SBR Wave 2, KCO #37, 39, 40, 42, 43, 44, 53, 54
5	All disbursements may not be recorded timely	SBR Wave 2, ROMM #22	All disbursements are recorded in the correct period and within 10 days of payment	SBR Wave 2, KCO #57, 60
6	Disbursements may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #10, 36	Disbursements are recorded accurately (correct amount, line of accounting, obligation, Treasury account, reporting entity) and disbursements are valid (authorized/approved transactions supported by invoice and receiving report)	SBR Wave 2, KCO #55, 56, 58, 59, 61
7	Stale or invalid obligations and accruals may not be removed	SBR Wave 2, ROMM #2, 9, 14, 27	All obligations and accruals are reviewed, and adjusted as necessary, at least three times per year.	SBR Wave 2, KCO #11, 12, 22, 27, 43
8	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives
Vendor Pay				
1	All obligations may not be recorded timely	SBR Wave 2, ROMM #20	All obligations are recorded in the correct period and within 10 days	SBR Wave 2, KCO #33
2	Obligations may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #7, 8, 11, 12, 19, 34, 44	Obligations are recorded accurately (correct amount, Treasury account, vendor, line of accounting, reporting entity) and are valid (authorized/approved transactions supported by obligation documentation)	SBR Wave 2, KCO #24, 25, 26, 30, 31, 32, 34, 35, 53, 54

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
3	All accruals and/or payables may not be recorded timely	SBR Wave 2, ROMM #21	All accruals and/or payables (for goods/services received not yet invoiced) are recorded in the correct period and within 10 days of receipt	SBR Wave 2, KCO # 41, 43
4	Accruals and/or payables may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #34	All accruals and/or payables are recorded accurately (correct amount, Treasury account, obligation/line of accounting, reporting entity) and invoices are valid (authorized/approved transactions supported by evidence goods/services were received or otherwise due)	SBR Wave 2, KCO #37, 39, 40, 42, 43, 44, 53, 54
5	All Disbursements may not be recorded timely	SBR Wave 2, ROMM #22	All disbursements are recorded in the correct period and within 10 days of payment	SBR Wave 2, KCO #57, 60
6	Disbursements may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #10, 36	Disbursements are recorded accurately (correct amount, Treasury account, obligation/line of accounting, reporting entity) and disbursements are valid (authorized/approved transactions supported by invoice and receiving report)	SBR Wave 2, KCO #55, 56, 58, 59, 61
7	Stale or invalid obligations and accruals may not be removed	SBR Wave 2, ROMM #2, 9, 14, 27	All obligations and accruals are reviewed, and adjusted as necessary, at least three times per year	SBR Wave 2, KCO #11, 12, 22, 27, 43
8	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives
Reimbursable Work Order – Grantor				
1	All obligations may not be recorded timely	SBR Wave 2, ROMM #20	All obligations are recorded in the correct period and within 10 days	SBR Wave 2, KCO #33
2	Obligations may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #7, 8, 11, 12, 19, 34, 44	Obligations are recorded accurately (correct amount, Treasury account, line of accounting, reporting entity) and are valid (authorized/approved transactions supported by authorized documentation)	SBR Wave 2, KCO #24, 25, 26, 30, 31, 32, 34, 35, 53, 54
3	All accruals/payables may not be recorded timely	SBR Wave 2, ROMM #21	All receipts/payables (for goods/services received not yet invoiced) are recorded in the correct period and within 10 days of receipt	SBR Wave 2, KCO # 41, 43
4	Accruals/payables may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #34	All receipts/payables are recorded accurately (correct amount, line of accounting, obligation, Treasury account, reporting entity) and are valid (authorized/approved transactions supported by evidence goods/services were actually received)	SBR Wave 2, KCO #37, 39, 40, 42, 43, 44, 53, 54
5	All IPAC disbursements/advances may not be recorded timely	SBR Wave 2, ROMM #22	All IPAC disbursements/Advances are recorded in the correct period and within 10 days of payment	SBR Wave 2, KCO #57, 60

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
6	IPAC Disbursements/advances may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #10, 36	IPAC Disbursements/Advances are recorded accurately (correct amount, line of accounting, obligation, Treasury account, reporting entity) and are valid (authorized/approved transactions supported by invoices/orders/receiving report)	SBR Wave 2, KCO #55, 56, 58, 59, 61
7	Stale or invalid obligations and accruals may not be removed	SBR Wave 2, ROMM #2, 9, 14, 27	All obligations and accruals are reviewed, and adjusted as necessary, at least three times per year	SBR Wave 2, KCO #11, 12, 22, 27, 43
8	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives
Fund Balance with Treasury				
1	All disbursements and collections may not be reported timely	FBWT Wave 2, ROMM #4, 5	All disbursements and collections are reported to Treasury in the correct period and within Treasury deadline	SBR Wave 2, KCO # 73, 74, 77, 78
2	Disbursements and collections may not be reported accurately or be valid	FBWT Wave 2, ROMM # 1, 6, 8, 13, 26, 42	Disbursements and collections are accurately (correct amount, Treasury account, budget fiscal year) reported to Treasury and are valid (authorized/approved transactions supported by documentation, e.g. invoice and receiving report)	SBR Wave 2, KCO # 9, 10, 73, 74, 78, 79, 81
3	All Treasury accounts may not be reconciled timely	FBWT Wave 2, ROMM #2	All Treasury accounts related to the Component are reconciled monthly within required timeline	SBR Wave 2, KCO # 48, 77, 78
4	Reconciliations, including general ledger and disbursing system data, may not be accurate	FBWT Wave 2, ROMM #1, 6, 8, 10, 11	All Treasury reconciliations, including general ledger and disbursing system data, are accurate (using correct Treasury accounts, dollar amounts/ accounting periods from GWA, General Ledger, and Disbursing)	SBR Wave 2, KCO # 48, 72, 79, 81, 82, 83
5	All reconciling items may not be identified timely	FBWT Wave 2, ROMM #3, 4, 5	All reconciling differences and budget clearing account items are identified at the transaction level (specific disbursement or collection causing the difference)	SBR Wave 2, KCO # 75, 76
6	Reconciling items may not be resolved accurately or be valid	FBWT Wave 2, ROMM # 1, 6	Reconciling and budget clearing account items are appropriately resolved (adjustment recorded in General Ledger or reported to Treasury (SF 1219/1220), at the correct amount (Treasury account and budget fiscal year) and valid (authorized/approved transactions supported by documentation that demonstrates how the individual transaction should have been recorded/reported)	SBR Wave 2, KCO # 75, 76

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
7	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives
Appropriations Received				
1	Apportionment amounts do not agree to the total appropriated amount	Appropriations Received Wave 1, ROMM #4, 9; SBR Wave 2, ROMM #29	Apportionments agree to total amount appropriated (dollar amount, Treasury account, type of funds, years of availability)	Appropriations Received Wave 1, KCO #1, 2, 3; SBR Wave 2 #45
2	Allotted amounts do not agree to appropriated/ apportioned amounts	Appropriations Received Wave 1, ROMM #5; SBR Wave 2, ROMM #30	Allotted amounts agree to total amount apportioned/appropriated (dollar amount, Treasury account, type of funds, years of availability)	Appropriations Received Wave 1, KCO #4
3	Current year funds distributed may not be recorded timely in the Distribution System	Appropriations Received Wave 1, ROMM #2, 3; SBR Wave 2, ROMM #15, 28	All current year funds are recorded in Distribution System the correct period	Appropriations Received Wave 1, KCO #2
4	Current year funds distributed may be recorded inaccurately in the Distribution System or may be invalid	Appropriations Received Wave 1, ROMM #3; SBR Wave 2, ROMM #28	Current year funds are recorded accurately (correct amount, treasury account, type of funds, years of availability, reporting entity) and are valid (authorized/approved transactions supported by Funding Authorization Documents (FAD))	Appropriations Received Wave 1, KCO #1, 2, 3
5	Current year sub-allotments may not be recorded timely	Appropriations Received Wave 1, ROMM #2, 3; SBR Wave 2, ROMM #15, 28	Current year sub-allotments are recorded in the correct period	Appropriations Received Wave 1, KCO #2
6	Current year sub-allotments may be recorded inaccurately or may be invalid	Appropriations Received Wave 1, ROMM #3; SBR Wave 2, ROMM #28	Current year sub-allotments are recorded accurately (correct amount, Treasury account, type of funds, years of availability, reporting entity) and are valid (authorized/approved transactions supported by FAD)	Appropriations Received Wave 1, KCO #1, 2, 3
7	Current year funds distributed may not be recorded timely in the General Ledger	Appropriations Received Wave 1, ROMM #2, 3; SBR Wave 2, ROMM #15, 28	Current year funds are recorded in the general ledger in the correct period.	Appropriations Received Wave 1, KCO #2
8	Current year funds distributed may be recorded inaccurately in the General Ledger or may be invalid	Appropriations Received Wave 1, ROMM #3; SBR Wave 2, ROMM #28	Current year funds are recorded accurately (correct amount, Treasury account, type of funds, years of availability, reporting entity) and are valid (authorized/approved transactions supported by Funding Authorization Documents (FAD))	Appropriations Received Wave 1, KCO #1, 2, 3

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
9	Other activity (e.g. undistributed amounts) may be recorded inaccurately in the General Ledger that may affect the balance of current year fund distributed within the organization.	Appropriations Received Wave 1 #3; SBR Wave 2, ROMM #28	Other activity (e.g. undistributed amounts) that affect the balance of the current year funds distributed within the organization are recorded accurately (correct amount, Treasury account, type of funds, years of availability, reporting entity).	Appropriations Received Wave 1, KCO #2
10	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives
Military Pay				
1	Personnel information may not be recorded timely	SBR Wave 2, ROMM #19, 20, 21, 22	All personnel information (promotions, changes in dependents, entering/exiting theater, etc.) are recorded timely	SBR Wave 2, KCO #32, 33, 41, 43
2	Personnel information may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #7, 9, 22, 34, 36, 38, 39	Personnel information is recorded accurately (correct amount, correct action, correct individual) and are valid (authorized/approved transactions supported by request for personnel action)	SBR Wave 2, KCO #27, 34, 35, 37, 41, 42, 43, 44
3	Payroll may be calculated or processed inaccurately	SBR Wave 2, ROMM #7, 9, 22, 34, 36, 38, 39	Payroll is calculated and processed accurately	SBR Wave 2, KCO #27, 34, 35, 37, 41, 42, 43, 44
4	All payroll obligations, expenses, accruals, and disbursements may not be recorded timely	SBR Wave 2, ROMM #19, 20, 21, 22	All payroll obligations, expenses, accruals, and disbursements are recorded timely	SBR Wave 2, KCO #32, 33, 41, 43
5	Payroll obligations, expenses, accruals, and disbursements may not be recorded accurately or may be invalid	SBR Wave 2, ROMM #7, 9, 22, 34, 36, 38, 39	All payroll obligations, expenses, accruals, and disbursements are recorded at correct amounts in the General Ledger(s) and are valid entries (authorized/approved transactions supported by pay file, disbursing voucher, etc.)	SBR Wave 2, KCO #27, 34, 35, 37, 41, 42, 43, 44
6	Stale or invalid obligations and accruals may not be removed	SBR Wave 2, ROMM #2, 9, 14, 27	All obligations and accruals are reviewed, and adjusted as necessary, at least three times per year	SBR Wave 2, KCO #11, 12, 22, 27, 43
7	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
Civilian Pay				
1	Incorrect personnel information may be recorded	SBR Wave 2, ROMM #7, 34, 36	Civilian personnel actions are valid (authorized/approved transactions supported by requests for personnel action) and recorded accurately	SBR Wave 2, KCO #34, 37, 42
2	Personnel information is missing or incomplete	SBR Wave 2, ROMM #19, 20, 34	All civilian personnel actions are recorded timely	SBR Wave 2, KCO #32, 33, 34, 41,42, 43
3	Incorrect time and attendance information may be recorded	SBR Wave 2, ROMM #34, 36	T&A information is valid (authorized/approved transactions supported by timesheet) and is recorded correctly	SBR Wave 2, KCO #34, 42
4	Time and attendance information is missing or incomplete	SBR Wave 2, ROMM #19	All T&A information is recorded timely	SBR Wave 2, KCO #32, 33, 41, 43
5	Payroll may be calculated or processed incorrectly	SBR Wave 2, ROMM #34, 36	Bi-weekly payroll is calculated and processed correctly	SBR Wave 2, KCO #42
6	Payroll obligations, expenses, accruals and disbursements may be recorded incorrectly	SBR Wave 2, ROMM #10, 34, 38, 39, 40	Payroll obligations, expenses, accruals, and disbursements are valid (authorized/approved transactions supported by pay file, disbursing voucher, etc.) and are correctly recorded in the General Ledger(s)	SBR Wave 2, KCO #35, 37, 42, 44
7	All Payroll obligations, expenses, accruals and disbursements may not be recorded	SBR Wave 2, ROMM #22	All payroll obligations, expenses, accruals and disbursements are recorded in the General Ledger(s) timely	SBR Wave 2, KCO #41, 43
8	Stale obligations and accruals may not be removed	SBR Wave 2, ROMM #2, 9, 14, 27	All stale obligations and accruals are removed from the General Ledger(s) timely	SBR Wave 2, KCO #11, 12, 22, 27, 43
9	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives
Reimbursable Work Orders - Acceptor				
1	All unfilled customer orders may not be recorded timely	SBR Wave 2, ROMM #16	All unfilled customer orders are recorded in the correct period and within 10 days	SBR Wave 2, KCO # 16, 17
2	Unfilled customer orders may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #4, 31, 34, 43	Unfilled customer orders are recorded accurately (correct amount, Treasury account, line of accounting, reporting entity) and are valid (authorized/approved transactions supported by MIPR)	SBR Wave 2, KCO # 13, 14, 16
3	All revenue, advances, IPACollections may not be recorded timely	SBR Wave 2, ROMM #23	All revenue/IPAC collections are recorded in the correct period and within 10 days of payment	SBR Wave 2, KCO # 15, 67, 68

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
4	Revenue/advances/IPAC collections may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #10, 37, 41	Revenue/IPAC collections are recorded accurately (correct amount, line of accounting, obligation, Treasury account, reporting entity) and are valid (authorized/approved transactions supported by invoices/orders/receiving report)	SBR Wave 2, KCO #65, 66, 69, 70, 71
5	Stale or invalid unfilled customer orders and uncollected customer payments/accounts receivable may not be removed	SBR Wave 2, ROMM #37	All unfilled customer orders and uncollected customer payments/accounts receivable are reviewed, and adjusted as necessary, at least three times per year	SBR Wave 2, KCO #66
6	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives
Other Budgetary Activity				
1	All other budgetary activity (rescissions, non-expenditure transfers) may not be recorded timely	SBR Wave 2, ROMM #17, 18	All other budgetary activity is reported in the correct period.	SBR Wave 2, KCO #19, 21, 46
2	Other budgetary activity (rescissions, non-expenditure transfers) may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #5, 6, 32, 33, 38, 41	Other budgetary activity is recorded accurately (dollar amount, Treasury account, type of funds, years of availability) and valid (authorized/approved transaction supported by Public Law, Treasury Warrant, SF-1151s, FADs)	SBR Wave 2, KCO #18, 19, 20, 47, 50, 51
3	All current year other budgetary activity sub-allotments may not be recorded timely	SBR Wave 2, ROMM #17, 18	All current year other budgetary activity for sub-allotments is recorded in the correct period.	SBR Wave 2, KCO #19, 21, 46
4	Current year other budgetary activity sub-allotments may be recorded inaccurately or may be invalid	SBR Wave 2, ROMM #5, 32, 33, 38, 41	Current year other budgetary activity for sub-allotments are recorded accurately (correct amount, Treasury account, type of funds, years of availability, reporting entity) and are valid (authorized/approved transactions supported by FAD)	SBR Wave 2, KCO #18, 19, 20, 47, 50, 51
5	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives

	Financial Reporting Risks	FIAR Guidance Risk of Material Misstatement (ROMM) Reference	Outcomes Demonstrating Audit Readiness	FIAR Guide Key Control Objective (KCO) Reference
Financial Reporting				
1	All trial balances (or equivalents) are not produced timely	SBR Wave 2, ROMM #25, 40	Trial balances (or equivalents) are produced timely	SBR Wave 2, KCO #3, 8
2	Trial balances (or equivalents) are not accurate or valid	SBR Wave 2, ROMM #11, 12, 24, 38, 39	Trial balances (or equivalents) are accurate and valid	SBR Wave 2, KCO #1, 2, 4, 5, 6, 7
3	All trial balances (or equivalents) are not loaded into DDRS-B timely	SBR Wave 2, ROMM #25, 40	Trial balances (or equivalents) are loaded into DDRS-B timely	SBR Wave 2, KCO #3, 8
4	Trial balances (or equivalents) are not completely or accurately loaded into DDRS-B	SBR Wave 2, ROMM #11, 12, 24, 38, 39	Trial balances (or equivalents) are complete and accurately loaded into DDRS-B	SBR Wave 2, KCO #1, 2, 4, 5, 6, 7
5	All trial balance data in DDRS-B is not loaded into DDRS-AFS	SBR Wave 2, ROMM #25, 40	Trial balance data in DDRS-B is loaded into DDRS-AFS timely	SBR Wave 2, KCO #3, 8
6	Trial balance data is not accurately loaded from DDRS-B into DDRS-AFS	SBR Wave 2, ROMM #11, 12, 24, 38, 39	Trial balances data is accurately loaded from DDRS-B into DDRS-AFS	SBR Wave 2, KCO #1, 2, 4, 5, 6, 7
7	All adjustments recorded in DDRS-B and DDRS-AFS are recorded timely	SBR Wave 2, ROMM #25, 40	All adjustments are recorded timely in DDRS-B and DDRS-AFS	SBR Wave 2, KCO #3, 8
8	Adjustments recorded in DDRS-B and DDRS-AFS are not accurate or valid	SBR Wave 2, ROMM #11, 12, 24, 38, 39	All adjustments recorded in DDRS-B and DDRS-AFS are accurate (correct amount, Treasury account, line of accounting, reporting entity) and valid (authorized/approved transactions supported by appropriate documentation)	SBR Wave 2, KCO #1, 2, 4, 5, 6, 7
9	The Statement of Budgetary Resources, related footnotes and accompanying information is not completed timely	SBR Wave 2, ROMM #25, 40	The Statement of Budgetary Resources, related footnotes and accompanying information is completed timely.	SBR Wave 2, KCO #3, 8
10	The Statement of Budgetary Resources, related footnotes and accompanying information is not accurate or valid	Appropriations Received Wave 1, ROMM #8; SBR Wave 2, ROMM #38, 39, 40; FBWT Wave 2, ROMM #7, 9	The Statement of Budgetary Resources, related footnotes and accompanying information is accurate (complies with accounting and reporting standards) and valid (supported by data in DDRS-AFS)	SBR Wave 2 #1, 2, 3, 80, 84
11	IT General Controls may not be appropriately designed or operating effectively	FIAR Guidance FISCAM Risks	All material systems achieve the relevant FISCAM IT general and application-level general control objectives	FIAR Guidance FISCAM Objectives

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.

Statement of Budgetary Resources Wave 2 – SBR Audit Key Supporting Documents							
Line Items	Documentation Type	Key Supporting Documents	Financial Statement Assertions				
			Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
All Financial Statement Line Items	Internal Control	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, KCOs 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"> 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) Reconciliations of non-expenditure transfers recorded in the general ledger to OMB-approved Non-Expenditure Transfer Authorizations (SF-1151s) 	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	
Unobligated Balance,		15. FIRST-TIME AUDITS ONLY – Analysis of unobligated balance brought forward that demonstrates the “age” of material appropriations	X	X	X	X	X

Statement of Budgetary Resources Wave 2 – SBR Audit Key Supporting Documents							
Line Items	Documentation Type	Key Supporting Documents	Financial Statement Assertions				
			Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
Brought Forward, October 1		16. 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		17. 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
		18. 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		19. 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
		20. 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
		21. Cash collection documentation (for amounts earned and advances received) such as deposit tickets, IPACs, etc.	X	X	X		
Nonexpenditure Transfers, net		22. Non-expenditure Transfer Authorization (SF 1151)	X	X	X		X
		23. Appropriation Act (Public Law) enacting temporary restrictions on budgetary resources or permanent rescission	X	X	X		X
		24. Negative Treasury Warrants (Rescission)	X	X	X		X
Obligations Incurred: Direct and Reimbursable		25. 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
Unpaid Obligations, Brought Forward, October 1		26. 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

Statement of Budgetary Resources Wave 2 – SBR Audit Key Supporting Documents							
Line Items	Documentation Type	Key Supporting Documents	Financial Statement Assertions				
			Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
Unpaid Obligations, End of Period		Unpaid Obligations (Delivered Orders/Accounts Payable) brought forward and at end of period are supported by: 27. Receiving Report, and 28. Billing document such as vendor invoice (or equivalent), or 29. Accrual estimate support (if invoice has not been received or support for payroll accrual calculations)	X	X	X		X
Unfilled Customer Payments, Brought Forward, October 1		30. 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, MIPRs, or Cooperative Agreements. For any portions of the order delivered, see supporting documentation requirements for Accounts Receivable	X	X	X		X
Unpaid Customer Payments, End of Period		31. Uncollected Customer Payments (Accounts Receivable) brought forward and at end of period are supported by subsequent IPAC collection documents, billing documents, and related obligation and expenditure documentation supporting the expense amounts charged to the customer.	X	X	X		X
Gross Outlays		32. 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		33. Cash collection document (deposit ticket, IPAC, billing document , etc)	X	X	X		X
		34. Statement of Accountability (SF 1218/1219)	X	X	X		X
		35. Statement of Transactions (SF 1220/1221)	X	X	X		X
		36. Statement of Interfund Transactions (DD 1400)	X	X	X		X
		37. Statement of Transactions (DD 1329)	X	X	X		X
		38. Government-wide Accounting (GWA) Account Statement	X	X	X		X
Distributed Offsetting Receipts		39. Treasury Annual Report Appendix Part 7, Other Information B Receipts by Department	X	X			X
		40. Cash collection document (deposit ticket, IPAC, billing document, etc, to support basis for receipt)	X	X	X		X

Refer to [MilPay FIAR guidance supplement](#) located within the FIAR Guidance website for KSDs related to Military Pay.

Fund Balance with Treasury Wave 2 – SBR Audit Key Supporting Documents							
Line Items	Documentation Types	Key Supporting Documents	Financial Statement Assertions				
			Existence	Completeness	Valuation	Presentation & Disclosure	Rights & Obligations
FBWT	Internal Control Documentation	41. Statement-to-process analyses demonstrating the dollar amount and quantity of activity flowing through various processes and/or locations	X	X	X	X	X
		42. Applicable policies and procedures	X	X	X	X	X
		43. Process narratives and flowcharts	X	X	X	X	X
		44. Control worksheets, identifying risks, KCOs and corresponding control activities	X	X	X	X	X
		45. Test plans documenting planned procedures used to test the operating effectiveness of control activities	X	X	X	X	X
		46. Control assessments with test results	X	X	X	X	X
		47. Evaluation of test results	X	X	X	X	X
		48. Documentation evidencing the operation of internal control activities for the period under audit. Examples include: <ul style="list-style-type: none"> 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. 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. 	X	X	X	X	X
	Transaction Documentation	49. Monthly FBWT reconciliations	X	X	X	X	X
		50. General ledger and subsidiary ledgers identifying individual FBWT transactions within each Treasury account	X			X	
		51. 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
		52. Check Issue Discrepancy (FMS 5206)	X	X	X		

C.2.3 Example Work Products

Refer to 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 controls are properly designed and operating effectively, and all necessary supporting documentation is readily available. **As entities assert audit readiness for their assessable units, the FIAR Directorate reviews the assertion documentation. During the review the FIAR Directorate will normally make inquiries about the assertion and the content of the documentation. Based on the content of the package and the responses to inquiries the FIAR Directorate will reach a decision on whether the entity has demonstrated audit readiness and is therefore ready to proceed. Approval to go forward to the next stage of engaging an IPA or other qualified, independent reviewer to perform a *Validation phase* audit readiness examination is determined at the end of the assertion review. If an examination is performed and 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 3, reporting entities can only assert full SBR audit readiness after all assessable units are validated as audit ready. Once all Wave 2 assessable units are validated as audit ready, the DoD OIG will conduct an SBR financial statement audit readiness examination and opine on the reporting entity’s SBR audit readiness assertion. If the examination results in an unqualified opinion, the DoD OIG performs annual financial statement audits on the reporting entity’s SBR.**

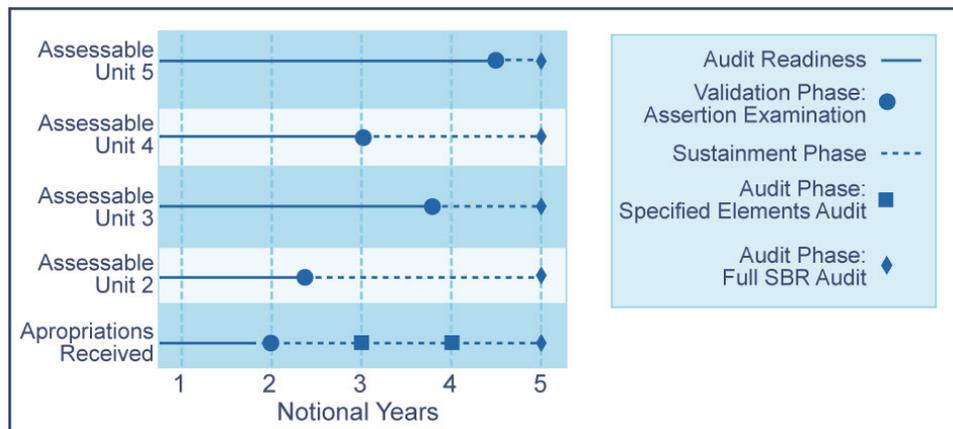


Figure 3. Wave 2 Audit Strategy