# Glossary

|  |  |
| --- | --- |
| Accounting estimate | A monetary amount for which the measurement, in accordance with the requirements of the applicable financial reporting framework (generally U.S. generally accepted accounting principles (U.S. GAAP)), is subject to estimation uncertainty (i.e., susceptibility to an inherent lack of precision in measurement). |
| Accuracy, valuation, and allocation | Amounts and other data relating to recorded transactions and events have been appropriately recorded. Assets, liabilities, net position, budgetary balances, and projections in sustainability financial statements have been included in the financial statements at appropriate amounts, and any resulting valuation or allocation adjustments have been appropriately recorded. |
| Agency financial report (AFR) | As defined by the Office of Management and Budget (OMB), the AFR comprises   * + - * unaudited management’s discussion and analysis (MD&A), part of required supplementary information (RSI); * audited financial statements, including note disclosures; * unaudited required supplementary information (RSI) (other than the MD&A), if applicable; and * unaudited other information, if applicable. |
| Analytical procedures | The evaluations of financial information made through analysis of plausible relationships among both financial and nonfinancial data. Analytical procedures also encompass the investigation of identified fluctuations and relationships that are inconsistent with other relevant information or deviate significantly from predicted amounts. |
| Annual management report (AMR) | A report consisting of the financial statements and related information prepared by government corporation. Government corporations subject to the Government Corporation Control Act are required to submit AMRs to the Congress annually under 31 U.S.C. § 9106. |
| Annual report | A document containing the audited financial statements and the auditor’s report, such as the performance and accountability report, agency financial report, or annual management report. |
| Applicable financial reporting framework | Provides the criteria for management to present the financial statements of an entity, including the fair presentation of those financial statements (U.S. GAAP). The Federal Accounting Standards Advisory Board (FASAB) is the body designated by the American Institute of Certified Public Accountants as the source of U.S. GAAP for federal reporting entities. |
| Application controls | Controls that are incorporated directly into software programs, or applications, to help ensure the validity, completeness, accuracy, and confidentiality of transactions and data during information system processing. |
| Appropriateness | Appropriateness of audit evidence is the measure of the quality of audit evidence, that is, its relevance and reliability in providing support for the conclusions on which the auditor’s reports are based. |
| Appropriation | The most common form of budget authority, appropriations are statutory authority that permits federal entities to incur obligations and to make payments from the Department of the Treasury for specified purposes. Appropriations do not represent cash actually set aside in the Treasury for purposes specified in the appropriation acts. Appropriations represent amounts that entities may obligate during the period specified in the appropriation acts. Periods can be single year, multiyear, or no year. |
| Assertions | Representations, explicit or otherwise, with respect to the recognition, measurement, presentation, and disclosure of information in the financial statements, which are inherent in management, representing that the financial statements are prepared in accordance with the applicable financial reporting framework (generally U.S. GAAP). The five assertions used in the FAM are as follows:   * Existence or occurrence * Completeness * Rights and obligations * Accuracy/valuation or allocation * Presentation and disclosure   (Also see significant assertion.) |
| Assistant director | The person responsible for the operational conduct of the audit and generally for preparation of the audit report. In public accounting firms, the audit manager may have these responsibilities. |
| Attribute sampling | Statistical sampling that reaches a conclusion about a population in terms of a rate of occurrence. |
| Audit assurance | The complement of audit risk, which is an auditor judgment. This is not the same as confidence level, which relates to an individual sample. |
| Audit director (first partner) | The person responsible for the quality of the financial statement audit and the audit report, reporting to the assistant IG for the audit or, at GAO, to the managing director. |
| Audit documentation | The record of audit procedures performed, audit evidence obtained, and conclusions the auditor reached. Terms such as working papers or workpapers are also sometimes used. |
| Audit evidence | Information used by the auditor in arriving at the conclusions on which the auditor’s reports are based. Audit evidence is information to which audit procedures have been applied and consists of information that corroborates or contradicts assertions in the financial statements. |
| Audit file | One or more folders or other storage media, in physical or electronic form, containing the records that constitute the audit documentation for a specific engagement. |
| Audit plan | An audit document that describes   * the nature and extent of planned risk assessment procedures; * the nature, timing, and extent of planned further audit procedures at the assertion level; and * other planned audit procedures that are required to be carried out so that the engagement complies with generally accepted government auditing standards. |
| Audit risk | The risk that the auditor expresses an inappropriate audit opinion when the financial statements are materially misstated. Audit risk is composed of the risk of material misstatement and detection risk. (Also see risk of material misstatement and detection risk.) |
| Audit sample (sample) | Items selected from a population to reach a conclusion about the population as a whole. (Compare with nonstatistical selection.) |
| Audit sampling (sampling) | The selection and evaluation of less than 100 percent of the population of audit relevance such that the auditor expects the items selected (the sample) to be representative of the population and thus likely to provide a reasonable basis for conclusions about the population. In this context, representative means that evaluating the sample will result in conclusions that, subject to the limitations of sampling risk, are similar to those that would be drawn if the same procedures were applied to the entire population. Sampling involves selection techniques that can be applied using either statistical or nonstatistical sampling approaches. |
| Audit sampling specialist | A statistician or other person the auditor consults for technical expertise in areas such as audit sampling, audit sample evaluation, and selecting entity field locations to test. |
| Auditor’s point estimate or auditor’s range | An amount, or range of amounts, respectively, developed by the auditor in evaluating management’s point estimate. (Also see management’s point estimate.) |
| Auditor’s report date | The date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor’s opinion on the financial statements. |
| Balance sheet approach | An approach used to evaluate misstatements. This approach quantifies a misstatement with the objective of making the balance sheet correct as of the end of the current year. |
| Borrowing authority | Statutory authority that permits federal entities to borrow money and then to obligate against amounts borrowed. The amount to be borrowed may be definite or indefinite in nature, and the purposes for which the borrowed funds are to be used are stipulated by the authorizing statute. |
| Budget authority | Authority provided by law to allow federal entities to enter into financial obligations that will result in immediate or future outlays involving government funds. The Congress provides an entity with budget authority and may place restrictions on the amount, purpose, and timing of the obligation or outlay of such authority. The basic forms of budget authority include (1) appropriations, (2) borrowing authority, (3) contract authority, and (4) authority to obligate and expend offsetting receipts and collections. |
| Budget controls | Management’s policies and procedures for managing and controlling the use of appropriated funds and other forms of budget authority. |
| Budgetary resources | An amount available to enter into new obligations and to liquidate them. Budgetary resources are made up of new budget authority (including direct spending authority provided in existing statute and obligation limitations) and unobligated balances of budget authority provided in previous years. (Also see budget authority.) |
| Canceled (closed) account | An appropriation account whose balance has been canceled. Once balances are canceled, the amounts are not available for obligation or expenditure for any purpose. |
| Cause and effect basis | In cost accounting, a way to group costs into cost pools in which an intermediate activity may be a link between the cause and the effect. |
| Class of transactions | A category of events or activities that result in the recording of, or that support, financial data in the entity’s general ledger accounts and, ultimately, the reporting of financial statement line items or disclosure of information in the notes to the financial statements. Classes of transactions are classified as transaction related (e.g., cash receipts) or line item/account related (e.g., cash balance). |
| Classical probability proportional to size  sampling | A sample selection procedure that selects items for the sample in proportion to their relative size, usually their monetary amounts. Monetary unit sampling uses this method to select the sample. |
| Classical variables  sampling | A sampling approach that measures sampling risk using the variation of the underlying characteristic of interest. This approach includes methods such as mean-per-unit, ratio estimation, difference estimation, and a classical form of probability proportional to size estimation. |
| Clearly trivial | The amount below which misstatements would not need to be accumulated because the auditor expects that the accumulation of such amounts clearly would not have a material effect on the financial statements. |
| Client | In the federal environment, the client may include the   * management of the federal entity to be audited, including senior executive and financial managers; * inspector general (IG) if the IG has contracted for the audit; * members of a board or commission responsible for the federal entity; and/or * audit committee. |
| Combined precision | The achieved precision for all statistical sampling applications. |
| Commitment | For budgetary accounting, an administrative reservation of allotted funds, or of other funds, in anticipation of their obligation. For proprietary accounting, this includes a binding agreement that may result in the future expenditure of financial resources. |
| Commitment letter | A letter used by some auditors, either after a survey of work or the planning phase has been completed to confirm a commitment for a congressional request, mandate, or auditor’s statutory discretionary authority for any type of work. |
| Common data source | All of the financial and programmatic information available for the budgetary, cost, and financial accounting processes. It includes all financial and much nonfinancial data, such as environmental data, that are necessary for budgeting and financial reporting as well as evaluation and decision information developed as a result of prior reporting and feedback. |
| Comparative financial statements | A complete set of financial statements for one or more prior periods included for comparison with the financial statements of the current period. |
| Comparative information | Prior period information presented for purposes of comparison with current period amounts or note disclosures that is not in the form of a complete set of financial statements. Comparative information includes prior period information presented as condensed financial statements or summarized financial information. |
| Compensating control | A control that limits the severity of a control deficiency and prevents it from rising to the level of significant deficiency or, in some cases, a material weakness. Only compensating controls that operate at a level of precision that would prevent, or detect and correct, a material misstatement are capable of having a mitigating effect. Although compensating controls can mitigate the effects of a control deficiency, they do not eliminate the control deficiency. |
| Complementary user entity controls | Controls that management of the service organization assumes, in the design of its service, will be implemented by entities that use its service and are necessary to achieve control objectives stated in management’s description of the service organization’s system. |
| Completeness | All transactions and events that should have been recorded have been recorded in the proper period and accounts. All assets, liabilities, net position, and budgetary balances that should have been recorded have been recorded in the proper period and accounts, and properly included in the financial statements. Projections in the sustainability financial statements include all estimated future revenues and expenditures at present value that should have been included. |
| Compliance control | A process, by management and others, designed to provide reasonable assurance regarding the achievement of objectives for compliance with applicable laws, regulations, contracts, and grant agreements. |
| Compliance control tests | Tests to obtain evidence on the entity’s compliance controls for each significant provision of applicable laws, regulations, contracts, and grant agreements identified for testing, including budget controls for each relevant budget restriction. |
| Compliance system | The entity’s policies and procedures to monitor compliance with laws, regulations, contracts, and grant agreements applicable to the entity. |
| Compliance tests | Tests to obtain evidence on the entity’s compliance with each significant provision of applicable laws, regulations, contracts, and grant agreements identified for testing, including compliance with relevant budget restrictions. |
| Component auditor | An auditor who performs work on the financial information of a component that will be used as audit evidence for the group audit. |
| Confidence interval | A statistical sample-based estimate expressed as an interval or range of values. The sample is designed such that there is a specified confidence level for which the population value being estimated is expected to be located within the interval. More specifically, it is the projected misstatement plus or minus precision at the desired confidence level and is also known as a precision or precision interval. |
| Confidence level | The probability associated with the precision, that is, the probability that the true misstatement is within the confidence interval. This is not the same as assurance. |
| Contingency | An existing condition, situation, or set of circumstances involving uncertainty as to possible gain or loss to an entity. The uncertainty will ultimately be resolved when one or more future events occur or fail to occur. |
| Contract authority | Statutory authority that permits obligations to be incurred in advance of appropriations or in anticipation of receipts to be credited to a revolving fund or other account (offsetting collections). Contract authority is unfunded. Subsequent funding by an appropriation or by offsetting collections is needed to liquidate the obligations incurred under the contract authority. |
| Control activities | One of the five components of internal control, in addition to control environment, entity risk assessment, information and communication, and monitoring.  Control activities are the actions management establishes through policies and procedures to achieve objectives and respond to risks in the internal control system, which includes the entity’s information system.  “Control activities” as used in the FAM are referred to as controls in the control activities component in the AICPA *Codification of* *Statements on Auditing Standards* (AU-C), Section 540, *Auditing Accounting Estimates and Related Disclosures*. “Control activities” as used in the FAM also include controls in the control environment, entity risk assessment, information and communication, and monitoring components that directly address risks of material misstatement at the assertion level. |
| Control deficiency | A condition when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. (Also see significant deficiency and material weakness.) |
| Control environment | One of the five components of internal control, in addition to entity risk assessment, control activities, information and communication, and monitoring.  The control environment is the foundation for an internal control system. It provides the discipline and structure to help an entity achieve its objectives. |
| Control objective | The aim or purpose of specified controls. Control objectives address the risks that the controls are intended to mitigate. In the context of internal control over financial reporting, a control objective generally relates to a significant assertion in a material line item, account, note disclosure, or class of transactions, and addresses the risk that the controls will not provide reasonable assurance that a misstatement or omission in that assertion is prevented, or detected and corrected, on a timely basis. |
| Control risk | The risk that a misstatement that could occur in an assertion about a line item, account, note disclosure, or class of transactions and that could be material, either individually or when aggregated with other misstatements, will not be prevented, or detected and corrected, on a timely basis by the entity’s internal control. Control risk is a function of the effectiveness of the design and operation of internal control in achieving the entity’s objectives relevant to the preparation and fair presentation of the entity’s financial statements. Some control risk will always exist because of the inherent limitations of internal control. |
| Control tests | Audit procedures designed to evaluate the operating effectiveness of controls in preventing, or detecting and correcting, material misstatements at the assertion level. |
| Cost | The monetary value of resources used or sacrificed or liabilities incurred to achieve an objective, such as to acquire or produce a good or to perform an activity or service. |
| Cycle | A grouping of related line items, accounts, note disclosures, and classes of transactions. |
| Cycle matrix | An audit document that links material line items, accounts, note disclosures, and classes of transactions to related significant financial management systems, line item risk analysis forms, and cycles, as applicable. |
| Degree of compliance | The following terms are used throughout the FAM to describe the degree of compliance with the standard or policy.   * **Must**: Compliance is mandatory when the circumstances exist to which the requirement is relevant. Most “musts” indicate unconditional requirements that come directly from professional auditing standards while other instances of “must” are unique needs for the government environment and, therefore, GAO/CIGIE determined them to be required. * **Should**: Compliance is mandatory when the circumstances exist to which the requirement is relevant, except in rare circumstances when the specific procedure to be performed would be ineffective in achieving the intent of the requirement. The auditor must document (1) the justification for any departure and (2) how the alternative audit procedures performed were sufficient to achieve the intent of the requirement or policy. The documentation must be provided to the reviewer in a timely manner to allow any issues to be promptly identified and resolved. * **Generally should**: Compliance is strongly encouraged when the circumstances exist to which this policy is relevant. The auditor should discuss any departure with the assistant director (or equivalent, such as the audit manager in a public accounting firm) and document such discussions. * **May, might, could**: These terms are used in the FAM to provide further explanation of and guidance for implementing audit requirements. Compliance is optional. The auditor need not document compliance. |
| Deobligation | An entity’s cancellation or downward adjustment (i.e., reduction) of previously incurred obligations. The entity should not cancel or reduce an obligation until it has made a formal decision to do so, supported by any necessary documentation that has been fully executed (e.g., SF-30 for contract amendments). There may be specific statutory or other requirements concerning deobligation.  Deobligated funds may be reobligated within the period of availability of the appropriation. For example, annual appropriated funds may be reobligated in the fiscal year in which the funds were appropriated, while multiyear or no-year appropriated funds may be reobligated in the same or subsequent fiscal years. |
| Detection risk | The risk that the procedures performed by the auditor to reduce audit risk to an acceptably low level will not detect a misstatement that exists and that could be material, either individually or when aggregated with other misstatements. It is a function of the effectiveness of an audit procedure and of its application by the auditor. |
| Direct assistance | The use of internal auditors to perform audit procedures under the direction, supervision, and review of the auditor. |
| Disclosure entities | Organizations similar to consolidation entities in that they are either (1) in the budget, (2) majority owned by the government, (3) controlled by the government, or (4) would be misleading to exclude. Disclosure entities have a greater degree of autonomy with the government than consolidation entities. |
| Disclosures | See note disclosures. |
| Documentation completion date | The date, no later than 60 days following the report release date, on which the auditor has assembled for retention a complete and final set of documentation in an audit file. |
| Emphasis-of-matter  paragraph | A paragraph included in the auditor's report that is required by U.S. GAAS, or is included at the auditor's discretion, and that refers to a matter appropriately presented or disclosed in the financial statements that, in the auditor's professional judgment, is of such importance that it is fundamental to users' understanding of the financial statements. |
| Engagement letter | A written agreement that documents the objectives and scope, roles and responsibilities of both management and the auditor, and other matters of the engagement. |
| Entity-level controls | Controls that have a pervasive effect on an entity’s internal control system. Entity-level controls may include controls related to the entity’s risk assessment process, control environment, service organizations, management override, and monitoring. |
| Entity management | The persons with executive responsibility for the conduct of the entity’s operations. |
| Entity profile | An audit document that contains information useful for understanding the entity’s operations, including (1) its environment, legal and regulatory framework, accounting policies, use of accounting estimates, and relationships and transactions with disclosure entities, related parties, and public-private partnerships; (2) the applicable financial reporting framework (generally U.S. GAAP); and (3) the effect of inherent risk factors on the preparation of the financial statements. |
| Entity risk assessment | One of the five components of internal control, in addition to control environment, control activities, information and communication, and monitoring.  Entity risk assessment is the assessment of the risks facing the entity as it seeks to achieve its objectives. This assessment provides the basis for developing appropriate risk responses. |
| Errors | Unintentional actions, such as mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts, that existed at the time the financial statements were prepared. |
| Existence or occurrence | Transactions and events have occurred during the given period, have been recorded in the proper accounts, and pertain to the entity. An entity’s assets, liabilities, net position, and budgetary balances exist at a given date and have been recorded in the proper accounts. Projected revenues and expenditures in the sustainability financial statements are valid. |
| Expectation | The auditor’s estimate of a recorded amount (based on an analysis and understanding of relationships between the recorded amounts and other data) in an analytical procedure. |
| Expected misstatement | The dollar amount of misstatements the auditor expects in a population. |
| Expired accounts (appropriations) | Accounts in which the balances are no longer available for incurring new obligations because the time available for incurring such obligations has expired. |
| External confirmation | Audit evidence obtained as a direct written response to the auditor from a third party (the confirming party), either in paper form or by electronic or other medium (for example, through the auditor's direct access to information held by a third party). |
| Factual misstatement | A misstatement in which there is no doubt about the misstatement. |
| Federal financial management systems requirements | Consists of three parts: (1) reliable financial reporting, (2) effective and efficient operations, and (3) compliance with applicable laws and regulations. OMB and Treasury develop, issue, and maintain the federal financial management systems requirements to support these areas and publish them in the *Treasury Financial Manual*. |
| Federal reporting entities | Reporting entities are organizations that issue a general purpose federal financial report because either there is a statutory or administrative requirement to prepare one or they choose to prepare one. The term “reporting entity” may refer to either the government-wide reporting entity or a component reporting entity. Statement of Federal Financial Accounting Concepts (SFFAC) 2 provides criteria for an entity to be a reporting entity. |
| Financial management systems | The financial systems and the financial portions of mixed systems necessary to support financial management, including automated and manual processes, procedures, controls, data, hardware, software, and support personnel dedicated to the operation and maintenance of system functions. |
| Financial reporting control | A process, created by management and other personnel, designed to provide reasonable assurance regarding the achievement of financial reporting objectives. |
| Financial statements (also called the basic or principal financial statements) | A component of a federal entity’s annual report (e.g., PAR or AFR), which consists of the following presented on a comparative basis for the current and prior years:   * balance sheets, * statements of net cost, * statements of changes in net position, * statements of budgetary resources, * statements of custodial activity (if applicable), * statements of social insurance (if applicable), * statements of changes in social insurance amounts (if applicable), and * related note disclosures. |
| Fraud | An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception that results in a misstatement in financial statements that are the subject of an audit. (Also see fraudulent financial reporting and misappropriation of assets.) |
| Fraud risk | An identified risk of material misstatement due to fraud. (Also see identified risk of material misstatement.) |
| Fraudulent financial reporting | Intentional misstatements or omissions of amounts or disclosures in financial statements to deceive financial statement users. Fraudulent financial reporting could involve intentional alteration of accounting records, misrepresentation of transactions, intentional misapplication of accounting principles, or other means. |
| Full cost | The total amount of resources used to produce the output. More specifically, the full cost of an output produced by a responsibility segment is the sum of (1) the costs of resources consumed by the responsibility segment that directly or indirectly contribute to the output and (2) the costs of identifiable supporting services provided by other responsibility segments within the reporting entity and by other reporting entities. |
| Fund Balance with Treasury (FBWT) | An intragovernmental asset account representing the unexpended spending authority in entity appropriations. FBWT also serves as a mechanism to prevent entity disbursements from exceeding appropriated amounts. |
| General controls | General controls are the policies and procedures that apply to all or a large segment of an entity’s information system. General controls help ensure the proper operation of information systems by creating the environment for proper operation of application controls. |
| Generally should | See degree of compliance. |
| Haphazard sample | A nonstatistical sample consisting of sampling units selected without any conscious bias, that is, without any special reason for including or omitting items from the sample. It does not consist of sampling units selected in a careless manner; rather it is selected in a manner the auditor expects to be representative of the population. |
| Heritage assets | Property, plant, and equipment that are unique for one or more of the following reasons: (1) historical or natural significance, (2) cultural, educational, artistic (or aesthetic) importance, or (3) significant architectural characteristics. |
| Identified risk of material misstatement at the assertion level | A potential misstatement that could occur in an entity’s assertion for a material line item, account, note disclosure, or class of transactions. |
| Identified risk of material misstatement at the financial statement level | A risk of material misstatement that relates pervasively to the financial statements as a whole and potentially affects many assertions. Risks of this nature are not necessarily risks identifiable with specific assertions at the line item, account, note disclosure, or class of transactions level. Rather, they represent circumstances that may pervasively increase the risks of material misstatement at the assertion level. (Also see risk of material misstatement.) |
| Information and communication | One of the five components of internal control, in addition to control environment, entity risk assessment, control activities, and monitoring.  Information and communication consists of the quality information management and personnel communicate and use to support the internal control system. |
| Information system | A discrete set of information resources organized for the collection, processing, maintenance, use, sharing, dissemination, or disposition of information. |
| Information system controls | Internal controls that are dependent on information systems processing and include general controls (entity-wide, system, and application levels), application controls (input, processing, output, master file, interface, and data management system controls), and user controls (controls performed by people interacting with information systems). |
| Information system controls auditor | A person with technical expertise in information technology systems, general controls, applications, and information security. This person is involved with the planning, directing, or performing of audit procedures related to assessing information system controls. |
| Information system processing | Processing performed by information systems through the use of information technology. |
| Information technology specialist | A person possessing special skills or knowledge in the information technology field that extend beyond the skills and knowledge normally possessed by those working in specialized fields of auditing, such as information system controls auditing. |
| Inherent risk | The susceptibility of an assertion about a line item, account, note disclosure, or class of transactions to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls. |
| Inherent risk factors | Characteristics of events or conditions that affect the susceptibility to misstatement, whether due to fraud or error, of an assertion about a line item, account, note disclosure, or class of transactions, before consideration of controls. Such factors may be qualitative or quantitative and include complexity, subjectivity, change, uncertainty, susceptibility to noncompliance, or susceptibility to misstatement due to management bias or other fraud risk factors insofar as they affect inherent risk. |
| Integrated audit | An audit of internal control over financial reporting that is integrated with an audit of financial statements |
| Intent letter | A letter used by some auditors to acknowledge a congressional request for any type of work. |
| Inter-entity | Activity and balances occurring between federal entities that are trading partners. Inter-entity and intra-entity amounts comprise intragovernmental activity and balances. |
| Internal audit function | A function of an entity that performs assurance and consulting activities designed to evaluate and improve the effectiveness of the entity’s governance, risk management, and internal control processes. |
| Internal control | A process effected by an entity’s oversight body, management, and other personnel that provides reasonable assurance that the objectives of the entity will be achieved. |
| Internal control over financial reporting | A process effected by those charged with governance, management, and other personnel. Internal control over financial reporting is a subset of the entity’s internal control, and its objectives are to provide reasonable assurance that (1) transactions are properly recorded, processed, and summarized to permit the preparation of financial statements in accordance with U.S. generally accepted accounting principles, and assets are safeguarded against loss from unauthorized acquisition, use, or disposition, and (2) transactions are executed in accordance with provisions of applicable laws, including those governing the use of budget authority, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the financial statements. |
| Internal control phase | Entails understanding, testing, and assessing internal control over financial reporting to reach conclusions about the reliability of financial reporting and compliance with significant provisions of applicable laws, regulations, contracts, and grant agreements. |
| Internal control system | A continuous built-in component of operations, effected by people, that provides reasonable assurance—not absolute assurance—that an entity’s objectives will be achieved. |
| Intra-entity | Activity and balances occurring within a federal entity. Intra-entity and inter-entity amounts comprise intragovernmental activity and balances. |
| Intragovernmental amounts | Activity and balances occurring within a federal entity (i.e., intra-entity) or between federal entities (i.e., inter-entity). |
| Intragovernmental Payment and Collection (IPAC) system | The primary method used by most federal entities to electronically bill or pay for services and supplies within the U.S. government. IPAC is used to communicate between the Treasury and the trading partner entities that the online billing or payment for services and supplies has occurred. |
| Judgment fund | A permanent and indefinite appropriation administered by the Department of the Treasury that is available to pay judgments, settlement agreements, and certain types of administrative awards against the United States when such payment is not otherwise provided for in entity appropriations. |
| Judgmental misstatement | Misstatements arising from the judgments of management, including those concerning recognition, measurement, presentation, and disclosure in the financial statements (including the selection or application of accounting policies) that the auditor considers unreasonable or inappropriate. |
| Limit | Used in performing substantive analytical procedures, the limit is the amount of difference between the expected and the recorded amount that the auditor will accept without investigation. |
| Limitation | A restriction on the amount, purpose, or period of availability of budget authority. While limitations are most often established through appropriations acts, they may also be established through authorization legislation. Limitations may be placed on the availability of funds for program levels, administrative expenses, direct loan obligations, loan guarantee commitments, or other purposes. |
| Line item risk analysis (LIRA) | An audit document that contains the auditor’s identification and assessment of risks of material misstatement at the assertion level for material line items, accounts, note disclosures, and classes of transactions. It includes, at the assertion level, the assessed level of inherent risk; identification of significant risks; assessed level of control risk and risk of material misstatement; and the planned nature, extent, and timing of substantive audit procedures. |
| Logical unit | The balance or transaction that includes the selected dollar in a monetary unit sample. |
| Management | The persons with executive responsibility for the conduct of the entity’s operations. For some entities, management includes some or all of those charged with governance, for example, senior executives. |
| Management’s point estimate | The amount selected by management for recognition or disclosure in the financial statements as an accounting estimate. U.S. GAAP may require disclosure of a range of possible outcomes. |
| Management’s specialists | Individuals or organizations possessing expertise in a field other than accounting or auditing, whose work in that field is used by the entity to assist in preparing the financial statements. |
| Material weakness | A deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. (Also see control deficiency and significant deficiency.) |
| Materiality | For purposes of the audit, misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.  Note that FASAB’s Statement of Federal Financial Accounting Concepts (SFFAC) 1, *Objectives of Federal Financial Reporting*, provides a slightly different definition of materiality. Since SFFACs are nonauthoritative and in SFFAC 1, the board recognizes differences from the audit definition, the FAM is based on the definition provided in AU-C 200.07.  (Also see materiality for the financial statements as a whole, performance materiality, and tolerable misstatement.) |
| Materiality benchmark | The element of the financial statements that the auditor judges is most significant to the primary users of the statements. The basis for which materiality is calculated. |
| Materiality for the financial statements as a whole | The auditor’s preliminary estimate of materiality in relation to the financial statements as a whole, primarily based on quantitative measures. It is used to determine performance materiality, which in turn is used to determine tolerable misstatement. These are then used to determine the risks of material misstatement and the nature, extent, and timing of substantive audit procedures. It is also used to identify significant provisions of applicable laws, regulations, contracts, and grant agreements for compliance testing. |
| May, might, or could | See degree of compliance. |
| Misappropriation of assets | Theft of an entity’s assets causing misstatements in the financial statements. |
| Misstatement | A difference between the reported amount, classification, presentation, or disclosure of a financial statement item and the amount, classification, presentation, or disclosure that is required for the item to be presented fairly in accordance with U.S. GAAP. Misstatements can arise from fraud or error. (Also see factual misstatement, judgmental misstatement, and projected misstatement.)  Misstatements also include those adjustments of amounts, classifications, presentations, or disclosures that, in the auditor’s professional judgment, are necessary for the financial statements to be presented fairly, in all material respects. |
| Misstatement of fact | Other information that is unrelated to matters appearing in the audited financial statements that is incorrectly stated or presented. A material misstatement of fact may undermine the credibility of the document containing audited financial statements. |
| Modified opinion | A qualified opinion, an adverse opinion, or a disclaimer of opinion. |
| Monetary unit sampling | A variables sampling method that uses a probability proportional to size (PPS) sample selection technique. |
| Monitoring | One of the five components of internal control, in addition to control environment, entity risk assessment, control activities, and information and communication.  Monitoring consists of activities management establishes and operates to assess the quality of performance over time and promptly resolve the findings of audits and other reviews. |
| Multipurpose testing | Performing several tests, such as control tests, compliance tests, and substantive tests, on a single selection, usually a statistical sample. |
| Must | See degree of compliance. |
| Net cost approach | An approach used to evaluate misstatements. This approach quantifies a misstatement with the objective of making the current year statement of net cost correct. |
| Noncompliance | Acts of omission or commission by the entity, either intentional or unintentional, which are contrary to the prevailing laws, regulations, contracts, or grant agreements. Such acts include transactions entered into by, or in the name of, the entity or on its behalf by those charged with governance, management, or employees. Noncompliance does not include personal misconduct (unrelated to the business activities of the entity) by those charged with governance, management, or employees of the entity. |
| Nonrecognized events | Subsequent events that provide evidence with respect to conditions that did not exist at the date of the financial statements but arose subsequent to that date. |
| Nonstatistical sampling | A sampling approach to draw conclusions about a population that does not have all the characteristics of statistical sampling (see statistical sampling). The two principal techniques of selecting a nonstatistical sample are the use of random selection or haphazard selection. A nonstatistical sample is representative of, but not statistically projectable to, the population. |
| Nonstatistical selection | A selection of items for substantive testing to reach a conclusion only on the items selected. A nonstatistical selection is not representative of, nor statistically projectable to, the portion of the population that was not tested. Accordingly, the auditor applies appropriate analytical and/or other substantive procedures to the remaining items, unless those items are immaterial in total or the auditor has already obtained enough assurance that there is a low risk of material misstatement in the total population.  The auditor may also use nonstatistical selection to test controls. Similar to nonstatistical selection for substantive testing, the auditor may not project the results of nonstatistical selection for control testing to the portion of the population not tested. To determine whether sufficient evidence has been obtained to conclude on the effectiveness of the controls tested, the auditor considers the results of the nonstatistical selection in conjunction with other sources of evidence. |
| Note disclosures | Individual elements of information that are reported in a note to the financial statements. |
| Notification letter | A letter used by some auditors to notify an entity of new engagements for any type of work. |
| Obligation (budgetary obligation) | OMB Circular No. A-11, *Preparation, Submission, and Execution of the Budget,* defines obligation as a binding agreement that will result in outlays, immediately or in the future. GAO’s Federal Budget Glossary (GAO-05-734SP) defines obligation as a definite commitment that creates a legal liability of the government for the payment of goods and services ordered or received, or a legal duty on the part of the United States that could mature into a legal liability by virtue of actions on the part of the other party beyond the control of the United States. Payment may be made immediately or in the future. An agency incurs an obligation, for example, when it places an order, signs a contract, awards a grant, purchases a service, or takes other actions that require the government to make payments to the public or from one government account to another. |
| Office of the General Counsel (OGC) | The office advises the auditor in (1) identifying significant provisions of applicable laws and regulations to test; (2) identifying budget restrictions; and (3) identifying and resolving legal issues encountered during the financial statement audit, such as evaluating potential instances of noncompliance. |
| Offsetting receipts and collections authority | Statutory authority that permits federal entities to obligate and expend the proceeds of offsetting receipts and collections. Offsetting receipts and collections are of a business-market-oriented nature and may include intragovernmental transactions, such as reimbursements for materials or services provided to other government entities. If, pursuant to law, they are credited to appropriations or fund expenditure accounts and are available for obligation without further congressional action, they are referred to as offsetting collections. |
| Operations controls | A process by management and others, designed to provide reasonable assurance regarding the achievement of objectives for the planning, productivity, quality, economy, efficiency or effectiveness of operations. |
| Other auditors | Auditors other than the audit organization performing the entity’s financial statement audit as group auditor. These other auditors may be part of the entity’s monitoring controls. |
| Other information | Financial or nonfinancial information (other than the financial statements, supplementary information, required supplementary information, and auditor’s report) included in an entity’s annual report. |
| Other-matter paragraph | A paragraph included in the auditor's report that is required by U.S. GAAS, or is included at the auditor's discretion, and that refers to a matter other than those presented or disclosed in the financial statements that, in the auditor's professional judgment, is relevant to users' understanding of the audit, the auditor's responsibilities, or the auditor's report. |
| Overall analytical procedures | Analytical procedures performed as an overall financial statement review during the reporting phase. |
| Overall audit strategy | An audit document that sets the scope, timing, and direction of the audit and guides the development of the audit plan. In establishing the overall audit strategy, the auditor should   * identify the characteristics of the engagement that define its scope; * ascertain the reporting objectives of the engagement in order to plan the timing of the audit and the nature of the communications required; * consider the factors that in the auditor’s professional judgment, are significant in directing the engagement team’s efforts; and * ascertain the nature, timing, and extent of resources necessary to perform the engagement. |
| Performance and accountability report (PAR) | The PAR consists of the information in the AFR (see agency financial report above) and performance information required for most federal executive agencies. |
| Performance materiality | The amount or amounts set by the auditor as a portion of materiality that the auditor allocates to particular line items, accounts, classes of transactions (such as disbursements), or note disclosures. |
| Planning phase | The objectives of this audit phase are to gain an understanding of the entity to be audited; to understand its environment, including internal control; to identify significant areas for audit; and to design effective and efficient audit procedures. |
| Population | The entire set of data from which a sample is selected and about which the auditor wishes to draw conclusions. |
| Precision (allowance for sampling risk) | A measure of the difference between a sample estimate (projection) and the tolerable rate of deviation or tolerable misstatement at a specified sampling risk. |
| Preliminary analytical procedures | Analytical procedures performed during the audit planning phase. |
| Presentation and disclosure | Financial and other information in the financial statements is appropriately aggregated or disaggregated and clearly described. Note disclosures are appropriately measured and described and are relevant and understandable in the context of the requirements of U.S. GAAP. All note disclosures that should have been included in the financial statements have been included. Disclosed transactions and events have occurred and pertain to the entity. |
| Principal statements | See financial statements. |
| Probable | Generally, in evaluating a loss contingency, the future confirming event or events are more likely than not to occur. In evaluating a loss contingency for pending or threatened litigation and unasserted claims, the future confirming event or events are likely to occur. |
| Professional judgment | The application of relevant training, knowledge, and experience, within the context provided by auditing, accounting, and ethical standards, in making informed decisions about the courses of action that are appropriate in the circumstances of the audit engagement. |
| Professional skepticism | An attitude that includes a questioning mind, being alert to conditions that may indicate possible misstatement due to fraud or error, and a critical assessment of audit evidence. |
| Projected misstatement | The auditor’s best estimate of the amount of the misstatements in populations, involving the projection of misstatements identified in audit samples to the entire population from which the samples were drawn. |
| Providing entity | The entity providing services, products, goods, transfer funds, investments, debt, and/or incurring the reimbursable costs. This includes bureaus, departments, and/or programs within entities. The providing agency is the seller. The providing entity transfers out funds to another entity (transfers out) when appropriations are transferred without the exchange of goods or services. |
| Public-private partnerships | Risk-sharing arrangements or transactions lasting more than 5 years between public and private sector entities. |
| Random sample | A sample selected so that every combination of the same number of items has an equal probability of selection. |
| Ratio estimation | A classical variables sampling technique that uses the ratio of audited amounts to recorded amounts in the sample to estimate the total dollar amount of the population and an allowance for sampling risk. |
| Reasonable assurance | In the context of an audit of financial statements, a high, but not absolute, level of assurance. |
| Reasonably possible | In evaluating a loss contingency, the chance of the future confirming event or events occurring is more than remote but less than probable.  In assessing inherent risk for identified risks of material misstatement at the assertion level, the likelihood of a material misstatement occurring is more than remote. |
| Receiving entity | The entity receiving services, products, goods, transfer funds, purchasing investments, and/or borrowing from Treasury (or other entities). This includes bureaus, departments, and/or programs within entities. The receiving entity is the purchaser. The receiving entity receives transfers of funds (transfers in) when appropriations are transferred without the exchange of goods or services. |
| Reciprocal accounts | Corresponding *U.S. Standard General Ledger* (USSGL) accounts that should be used by a providing/seller and receiving/buyer entity to record like intragovernmental transactions. For example, the providing entity’s accounts receivable would normally be reconciled to the reciprocal account, accounts payable, on the receiving entity’s records. |
| Recognized events | Subsequent events that provide additional evidence with respect to conditions that existed at the date of the financial statements and affect the estimates inherent in the process of preparing the financial statements, notes, and RSI. |
| Recorded amount | The financial statement amount being tested by the auditor in the specific application of substantive tests. |
| Regression estimate | An estimate of a population parameter for one variable that is obtained by substituting the known total for another variable into a regression equation calculated on the basis of sample values of the two variables. Ratio estimates are special kinds of regression estimates. |
| Reimbursable activity | An intragovernmental activity in which the entity receiving goods or services reimburses the providing entity in accordance with an agreed-upon price, which may or may not represent fair value. |
| Related parties | Under FASAB standards, organizations are considered to be related parties in the general purpose federal financial report if the existing relationship or one party to the existing relationship has the ability to exercise significant influence over the other party’s policy decisions. Relationships and transactions between the entity and other federal entities (intragovernmental) are not considered related party relationships and transactions. Given the similarity of risks, related parties, as used in auditing standards, include disclosure entities, related parties, and public-private partnerships, as these terms are defined by FASAB. |
| Relevant controls or relevant control activities | Effectively designed controls or control activities the auditor plans to test, that if implemented and operating effectively, would achieve specific control objectives that address identified risks of material misstatement. “Relevant control activities” as used in the FAM are referred to as identified controls or controls that address the risks of material misstatement at the assertion level in AU-C 315. |
| Remote | In evaluating a loss contingency, the chance of the future confirming event or events occurring is slight.  In assessing inherent risk for identified risks of material misstatement at the assertion level, the auditor believes that the likelihood of a material misstatement occurring in the assertion is less than reasonably possible. |
| Reporting phase | This phase completes the audit based on the results of audit procedures performed in the preceding phases. This involves developing the auditor’s report on the entity’s (1) financial statements, RSI (including MD&A), and other information included in the annual report; (2) internal control over financial reporting; (3) financial management systems’ substantial compliance with the three FFMIA requirements (for CFO Act agencies); and (4) compliance with significant provisions of applicable laws, regulations, contracts, and grant agreements. |
| Report release date | The date the auditor grants the entity permission to use the auditor’s report in connection with the financial statements. Often, this will be the date the auditor provides the audit report to the entity. The report release date will ordinarily be a date that is close to the auditor’s report date. |
| Required supplementary information (RSI) | Information that a designated accounting standards setter requires to accompany an entity’s basic financial statements. RSI is not part of the basic financial statements; however, a designated accounting standards setter considers the information to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. In addition, authoritative guidelines for the methods of measurement and presentation of the information have been established. |
| Responsibility segment | A significant organizational, operational, functional, or process component that has the following characteristics: (1) its manager reports to the entity’s top management, (2) it is responsible for carrying out a mission, performing a line of activities or services, or producing one or a group of products, and (3) for financial reporting and cost management purposes, its resources and results of operations can be clearly distinguished, physically and operationally, from those of other segments of the entity. |
| Reviewer (engagement quality control reviewer or second partner) | A person who is not part of the engagement team and has sufficient and appropriate experience and authority to objectively evaluate the significant judgments that the engagement team made and the conclusions it reached in formulating the auditor’s report. |
| Rights and obligations | The entity holds or controls the rights to assets, and liabilities are the obligations of the entity, at a given date. The entity has rights to budgetary resources, and budgetary obligations pertain to the entity, at a given date (see budgetary resources and obligation). |
| Risk | See audit risk, inherent risk, control risk, risk of material misstatement, and detection risk. |
| Risk assessment procedures | The audit procedures designed and performed to obtain audit evidence that provides an appropriate basis for (1) the identification and assessment of risks of material misstatement, whether due to fraud or error, at the financial statement and assertion levels and (2) the design of further audit procedures, consisting of control and substantive tests. |
| Risk of material misstatement | The risk that prior to the audit, the financial statements are materially misstated due to fraud or error. The components of risk of material misstatement are inherent risk and control risk. (Also see inherent risk and control risk.) |
| Safeguarding controls | Internal controls to protect assets from loss from unauthorized acquisition, use, or disposition of entity assets that could have a material effect on the financial statements. |
| Sample | See audit sample. |
| Sampling | See audit sampling. |
| Sampling interval | An amount between two consecutive sample items in a systematic sample. The sampling interval is determined by dividing the number of items in the population by the desired number of selections. When used in the context of a systematic sample used to select items for monetary unit sampling (MUS), it is the tolerable misstatement divided by the statistical risk factor. |
| Sampling risk | The risk that the auditor’s conclusion based on a sample may be different from the conclusion if the entire population were subjected to the same audit procedure. For tests of controls, sampling risk is the risk of assessing control risk either too low or too high. For substantive testing, sampling risk is the risk of incorrect acceptance or the risk of incorrect rejection. |
| Sampling unit | Any of the individual elements, as defined by the auditor, that constitute the population. |
| Sequential sampling | A sampling plan for which the sample is selected in several steps, with each step conditional on the results of the previous steps. |
| Service auditor | A practitioner who reports on controls at a service organization. |
| Service organization | An organization or segment of an organization that provides services to other entities that are relevant to those entities’ internal control over financial reporting. |
| Should | See degree of compliance. |
| Significant assertion | An assertion about a line item, account, note disclosure, or class of transactions that has one or more identified risks of material misstatement for which inherent risk is more than remote. “Significant assertion” as used in the FAM is referred to as relevant assertion in AU-C 315. (Also see assertions, identified risk of material misstatement, and inherent risk.) |
| Significant deficiency | A deficiency, or a combination of deficiencies, in internal control over financial reporting, that is less severe than a material weakness yet important enough to merit attention by those charged with governance. (Also see control deficiency and material weakness.) |
| Significant risk | An identified risk of material misstatement   * for which the assessment of inherent risk is high; * due to fraud for which inherent risk is more than remote; or * arising from transactions with disclosure entities, related parties, and public-private partnerships that are also significant unusual transactions, for which inherent risk is more than remote. |
| Significant unusual transactions | Significant transactions that are outside the normal course of business for the entity or that otherwise appear to be unusual due to their timing, size, or nature. |
| Special Investigator Unit | The unit investigates specific allegations involving conflict-of-interest and ethics matters, contract and procurement irregularities, official misconduct and abuse, and fraud in federal programs or activities. In the offices of the IGs, this is the investigation unit; at GAO, it is the Forensic Audits and Investigative Service team. The Special Investigator Unit provides assistance to the auditor by (1) informing the auditor of relevant pending or completed investigations of the entity and (2) investigating possible instances of fraud, waste, and abuse. |
| Special purpose entity | An entity created for a specific, limited, and normally temporary purpose. A special purpose entity can be a corporation, trust, partnership, limited liability company, or some type of variable interest entity. Special purpose entities are often an integral part of public-private partnerships because of their risk-containment nature of isolating participating entities from financial risk. |
| Specific control evaluation (SCE) | An audit document that contains the auditor’s evaluation of the effectiveness of specific control activities in achieving the control objectives. |
| Statistical sampling | A sampling approach to draw conclusions about a population that has the following characteristics:   * random selection of the sample items and * the use of an appropriate statistical technique to evaluate sample results, including measurement of sampling risk, to project the results to the population.   A sampling approach that does not have these characteristics is considered nonstatistical sampling. |
| Stewardship land | Land and rights owned by the federal government but not acquired for or in connection with items of general PP&E. |
| Stratification | The process of dividing a population into subpopulations, each of which is a group of sampling units that have similar characteristics. Stratification may be used to focus procedures on risk areas or to reduce variability in sampling populations. |
| Subsequent events | Events or transactions that affect the financial statements, notes, or RSI that may occur or become known between the date of the financial statements and the date of the auditor’s report. |
| Subsequently discovered facts | Facts that become known to the auditor after the date of the auditor's report that, had they been known to the auditor at that date, may have caused the auditor to revise the auditor's report. |
| Substantive analytical procedures | The comparison of a recorded amount with an expectation of that amount and subsequent investigation of any significant differences to reach a conclusion on the recorded amount. |
| Substantive audit assurance | The auditor’s judgment about the probability that all substantive tests of an assertion will detect aggregate misstatements that exceed materiality. Not the same as confidence level. |
| Substantive procedures or tests | Audit procedures designed to detect material misstatements at the assertion level. Substantive procedures comprise tests of details and substantive analytical procedures. |
| Sufficiency (of audit evidence) | The measure of the quantity of audit evidence. The quantity of the audit evidence necessary is affected by the auditor’s assessment of the risks of material misstatement and the quality of the audit evidence obtained (that is, its appropriateness). |
| Suitable criteria | In agreed upon procedures engagements or other attestation engagement engagements, standards for acceptability which have the attributes of objectivity, measurability, completeness, and relevance. |
| Supplemental analytical procedures | Analytical procedures to increase the auditor’s understanding of account balances and transactions when detail tests are used as the sole source of sub­stan­tive assurance. |
| Supplementary information | Information presented outside the financial statements and RSI, for which the auditor is engaged to report on whether such information is fairly stated, in all material respects, in relation to the financial statements as a whole. Supplementary information is not considered necessary for the financial statements to be fairly presented in accordance with U.S. GAAP. Such information may be presented in a document containing the audited financial statements or separate from the financial statements. |
| Sustainability financial statements | The sustainability financial statements are the   * statement of long-term fiscal projections (at the government-wide consolidated level only), * statement of social insurance, and * statement of changes in social insurance amounts.   The sustainability financial statements are based on projections of future receipts and spending. |
| Systematic random sampling | A method of selecting a sample in which every *n*th item is selected using one or more random starts. When the first item is selected using judgment from the interval, the method is termed systematic sampling. |
| Testing phase | The objectives of this audit phase are to (1) obtain reasonable assurance about whether the financial statements are presented fairly, in all material respects, in accordance with U.S. GAAP; (2) determine whether the entity complied with significant provisions of applicable laws, regulations, contracts, and grant agreements; and (3) assess the effectiveness of internal control over financial reporting through testing controls often in coordination with other tests. |
| Those charged with governance (oversight body) | Those who have the responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including overseeing the entity’s financial reporting process. For a federal entity, those charged with governance may be members of a board or commission, an audit committee, the secretary of a cabinet-level department, or senior executives and financial managers responsible for the entity. |
| Tolerable misstatement | The application of performance materiality to a particular substantive sampling procedure. Tolerable misstatement is defined in AU-C 530.05 as a monetary amount set by the auditor in respect of which the auditor seeks to obtain an appropriate level of assurance that the monetary amount set by the auditor is not exceeded by the actual misstatement in the population. |
| Tolerable rate of deviation | The maximum rate of deviations from the prescribed control that the auditor is willing to accept without altering the preliminary control risk. This is also referred to as tolerable error, tolerable rate, or tolerable deviation. |
| Trading partner code | Assigned by the U.S. Department of the Treasury, trading partner codes are used to facilitate the preparation of the *Financial Report of the United States Government*. |
| Trading partners | Federal entities that request or provide transactions and transfers between federal entities. |
| Transfers | Shifting of all or part of the budget authority in one appropriation or fund account to another. Entities may transfer budget authority only as specifically authorized by law. For accounting purposes, the nature of the transfer determines whether the transaction is treated as an expenditure or a nonexpenditure transfer. |
| *Treasury Financial Manual* (TFM) | The *Treasury Financial Manual* (TFM) is Treasury’s official publication of policies, procedures, and instructions concerning financial management in the federal government. It is intended to promote the government’s financial integrity and operational efficiency. |
| Type 1 Report | Report on the fairness of the presentation of management’s description of the service organization’s system and the suitability of the design of the controls to achieve the related control objectives included in the description as of a specified date. Type 1 reports focus on controls likely to be relevant to entities’ internal control over financial reporting. |
| Type 2 Report | Report on the fairness of the presentation of management’s description of the service organization’s system and the suitability of the design and operating effectiveness of the controls to achieve the related control objectives included in the description throughout a specified period. Type 2 reports focus on controls likely to be relevant to entities’ internal control over financial reporting. |
| Uncorrected misstatements | Misstatements that the auditor has accumulated during the audit and that have not been corrected. |
| Undelivered orders | The value of goods and services ordered and obligated that have not been received. This amount includes any orders for which advance payment has been made but for which delivery or performance has not yet occurred. |
| Universe | See population. |
| Unliquidated obligation | The amount of outstanding obligations or liabilities. |
| U.S. generally accepted accounting principles  (U.S. GAAP) | The U.S. accounting principles that are promulgated by a standard setter approved by the AICPA. SFFAS 34 contains the hierarchy of accounting standards for financial statements of federal government entities. The standards issued by FASAB are the first level of the hierarchy. For government corporations and certain other entities, the standards issued by FASB are the first level of the hierarchy. |
| *U.S. Standard General Ledger* (USSGL) | A uniform chart of accounts and guidance for standardizing U.S. federal accounting. Composed of five major sections: (1) chart of accounts, (2) accounts and descriptions, (3) account transactions, (4) USSGL attributes, and (5) USSGL crosswalks to standard external reports. Prescribed by the Department of the Treasury in its *Treasury Financial Manual.* |
| *U.S. Standard General Ledger* (USSGL) at the transaction  level | One of the three requirements of FFMIA. Implementing the USSGL at the transaction level means that transactions are recorded in full compliance with the USSGL Chart of Account’s descriptions and posting models/attributes that demonstrate how the USSGL is to be used for recording transactions of the federal government accounting process; reports produced by the systems provide financial information, whether used internally or externally, that can be traced directly to the USSGL accounts; and transactions from feeder systems, which may be summarized and interfaced into the core financial system’s general ledger, are posted following USSGL requirements. |
| User controls | Controls that are performed by people interacting with IS controls. The effectiveness of user controls typically depend on the accuracy of the information produced by the IS controls. |
| Walk-throughs | Audit procedures to help the auditor understand the design of controls and whether they have been implemented. They may also provide some evidence of control effectiveness. Walk-throughs of financial reporting controls include tracing one or more transactions from initiation, through all processing, to inclusion in the general ledger; observing the processing and applicable controls in operation; making inquiries of personnel applying the controls; and inspecting related documents. |

|  |  |
| --- | --- |
|  | **OTHER GLOSSARIES** |
| NOTE 1 | The *Federal Information System Controls Audit Manual* (FISCAM) *contains* a glossary of information systems terms (see [GAO-09-232G](https://www.gao.gov/products/gao-09-232g), February 2009). |
| NOTE 2 | *A Glossary of Terms Used in the Federal Budget Process* contains additional terms and definitions (see [GAO-05-734SP](https://www.gao.gov/products/gao-05-734sp), September 2005). |
| NOTE 3 | The AICPA’s *Audit Sampling Guide* contains a glossary of terms. |
| NOTE 4 | The Federal Accounting Standards Advisory Board’s *Handbook* *of* *Federal* *Accounting* *Standards* *and* *Other* *Pronouncements,* *as* *Amended* contains a glossary of terms. |