



Correctional Comments for Audits

The following is a list of items that will lead to a correctional comment¹ and will need to be addressed before the audited financial report will be approved:

- Independent Auditors' Reports²
 - The overall form of the Independent Auditor's Reports are not in compliance with the Statement on Auditing Standards (SAS) that applies to the audit.
 - If the financial statements are prepared under the modified cash basis of accounting and an emphasis of matter paragraph is missing from the Independent Auditor's Report.
 - The Independent Auditor's report provides an opinion on the wrong opinion units.
 - The Independent Auditor's report does not state that the audit was performed in compliance with Government Auditing Standards.
 - The "Other Reporting Required by Government Auditing Standards" paragraph is missing from the Independent Auditor's Report
 - The Report on Internal Controls Over Financial Reporting and on Compliance and Other Matters was not provided along with the audit of the financial statements.
 - An emphasis of matter paragraph is missing when the entity changed accounting principles that had a material effect on the financial statements.
- Financial Statements
 - Beginning balances in the financial statements do not tie back to the prior audit report, differ by a significant amount, and no disclosure is provided describing the restatement in the notes to the financial statements.
 - A material change in accounting principle was made since the last audit report, but no note disclosure is provided describing the nature and justification for the change. The justification should clearly explain why the new accounting principle is preferable.

¹ Note that this is not an all-encompassing list. It is merely intended to provide examples of items that will cause audited financial statements to require a correction. This list will be updated overtime as new information comes to our attention. In addition, minor comments and inconsistencies that do not individually rise to the level of a correctional comment will be reviewed collectively in determining if corrections need to be made before the audited financial statements will be accepted.

² Depending on the situation, attempts may be made to contact the auditing firm to correct inconsistencies within the Independent Auditor's Reports before a formal correction letter is sent to both the auditor and the auditee.

- The financial statements within each category (government-wide, governmental funds, proprietary funds, and fiduciary funds) do not correlate with one another by a significant amount.
- Significant inconsistencies exist between what is reported on the face of the statements and what is reported in the notes (i.e. long-term debt amortization schedules do not tie back to the financial statements).
- Restricted, committed, or assigned fund balances are displayed in the aggregate on the Balance Sheet and no note disclosure is provided showing the specific purpose information of the restricted, committed, and assigned categories.
- Other material note disclosures are missing.
- Single Audit
 - A single audit was determined to be required, but no single audit report has been submitted to our office.
 - A single audit was performed but there were Type A programs that had not been audited in the prior two periods, which would result in them being deemed high risk, that were left untested.
 - A corrective action plan and summary schedule of prior findings was not included along with the Single Audit report.
- State Auditor's Office Directives³
 - A 2023 year-end County financial statement audit was performed under the modified cash basis of accounting.
 - For Counties, required budget testing for 2021 year-ends or later was not performed or submitted to the Office of the State Auditor for review, upon request.
 - For Cities, required budget testing for 2023 year-ends or later was not performed or submitted to the Office of the State Auditor for review, upon request.

³ The directives are required by the State Auditor's Office per N.D.C.C. 54-10-14(4). These directives can be found at: <https://www.nd.gov/auditor/cpa-firm-requirements>



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