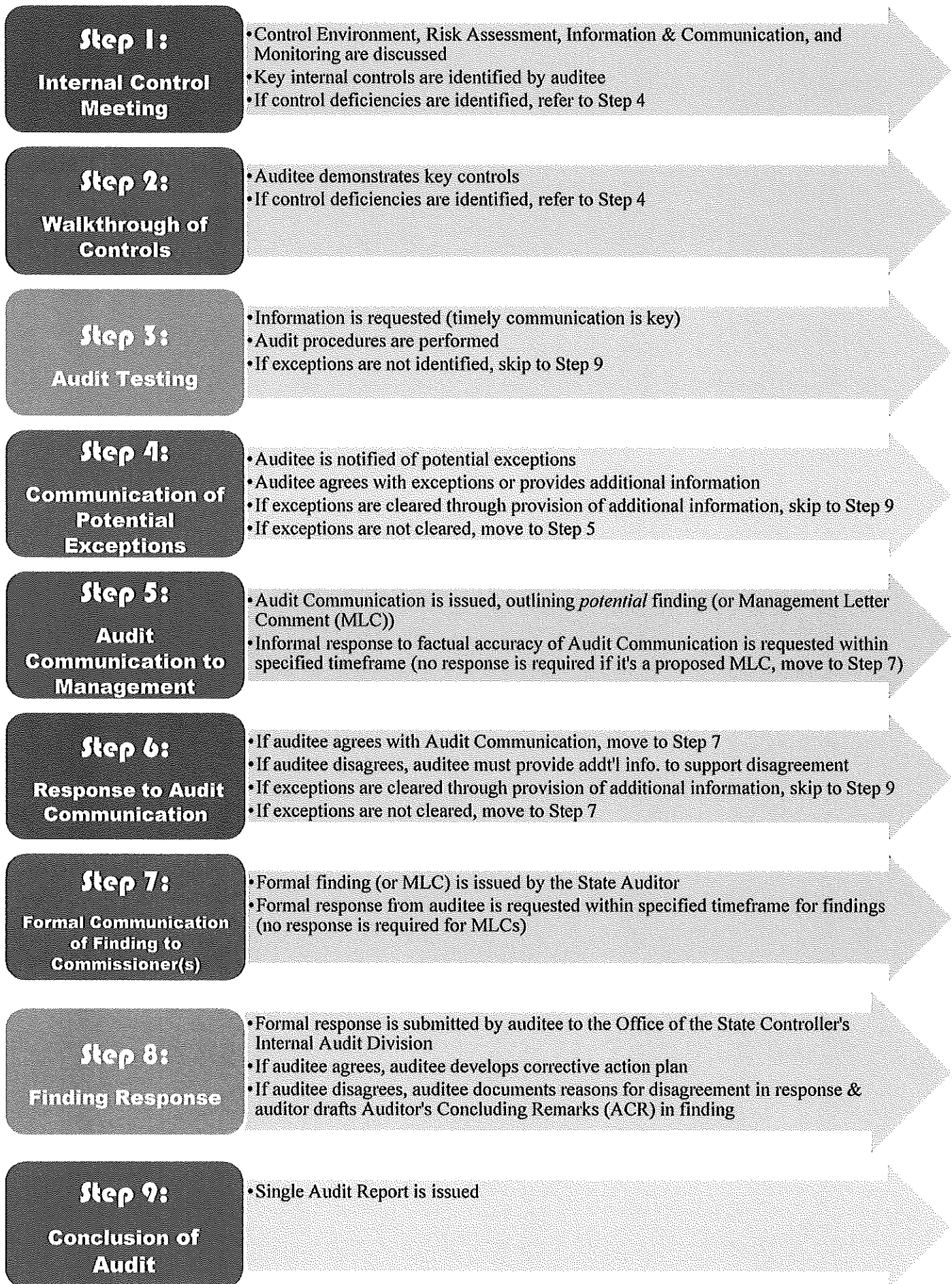


Office of the State Auditor
Steps of the Federal Compliance Audit and Finding Process



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Useful Definitions

Internal Control

Processes implemented to provide reasonable assurance that noncompliance with statutes, regulations, and the terms and conditions of Federal awards is prevented, or detected and corrected, on a timely basis in the normal course of operations.

Material

Quantitative and qualitative factors that have a significant impact on compliance with a compliance requirement.

Management Letter Comment

A deficiency in internal control that does not rise to the level of a Significant Deficiency and does not require inclusion in the Single Audit Report but is important enough to merit the attention of those charged with governance and management.

Finding Types

Significant Deficiency

A deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of those charged with governance and the Federal oversight agency.

Material Weakness

A deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis.

Material Noncompliance

Noncompliance has been identified that is quantitatively or qualitatively material, either individually or when aggregated with other noncompliance, to the compliance area.