


## Review Questions and Final Exam

Course name:	<b>Government Auditing Standards</b>
Course number:	1059N
Number of questions:	Review 100 Final exam 100
Prerequisite:	None
Course level:	Basic
Recommended CPE credit:	10 CPE hours
Recommended study time:	10 hours
Course format:	Interactive self study CPE credit calculated as 100% of total study time (i.e. 50 minute hour)
Reference text:	United States Government Accountability Office July 2007 publication  <a href="#">Government Auditing Standards</a>  <a href="#">Free download</a>
	
Subject classification:	Auditing
Course last updated:	April 27, 2009
Learning objective:	To review the standards used by auditors of government entities and entities that receive government awards and audit organizations performing GAGAS audits and attestation engagements.
Instructions:	This copy of the exam can be used to answer questions while <b>offline</b> .  Please note that you will still need to <b>enter your answers online</b> by logging into the course system with your User ID and Password.

Exam Name: Government Auditing Standards  
--Review Questions

- 1) Generally accepted government auditing standards (GAGAS) provide a framework for conducting high quality government audits and attestation engagements.  
True  
False
- 2) Every paragraph of GAGAS carries a professional requirement that auditors and audit organizations are expected to fulfill.  
True  
False
- 3) Explanatory material is intended to be descriptive rather than required.  
True  
False
- 4) Scope limitations can create a situation where auditors will use modified compliance statements.  
True  
False
- 5) Auditors may NOT use GAGAS in conjunction with professional standards by other authoritative bodies.  
True  
False
- 6) Audit and attestation engagement objectives determine the type of audit to be performed and the applicable standards to be followed.  
True  
False
- 7) Financial statement audits are the only type of audits performed under GAGAS.  
True  
False
- 8) The three types of attestation engagements are examination, review, and agreed-upon procedures.  
True  
False
- 9) Performance audits that comply with GAGAS provide reasonable assurance that the auditors have obtained sufficient, appropriate evidence to support the conclusions reached.  
True  
False
- 10) A performance audit should a single overall objective.  
True  
False

- 11) Internal control objectives may be relevant when determining the cause of unsatisfactory program performance.  
True  
False
- 12) Compliance audit objectives relate to compliance criteria established by laws, regulations, contract provisions, and grant agreements.  
True  
False
- 13) Prospective analysis audit objectives include providing conclusions based on current and projected trends.  
True  
False
- 14) Auditors should report whether or not nonaudit services were conducted in accordance with GAGAS.  
True  
False
- 15) The ethical principles that guide the work of auditors who conduct audits in accordance with GAGAS are intended to be used as a checklist in the audit program.  
True  
False
- 16) Integrity includes auditors conducting their work with an attitude that is objective, fact-based, nonpartisan, and nonideological with regard to audited entities and users of the auditors' reports.  
True  
False
- 17) Objectivity includes being independent in appearance when providing audit and attestation services.  
True  
False
- 18) If one or more of the three general classes of impairments to independence can be perceived to affect independence, the auditor should decline to perform the work.  
True  
False
- 19) A brother-in-law who is an officer of the audited entity and who is in a position to exert significant influence over the entity is NOT considered a personal impairment because they are not immediate family.  
True  
False
- 20) If a personal impairment cannot be eliminated, the audit organization should withdraw from the audit.  
True  
False
- 21) A threat to replace the auditors over the contents of the audit report is considered a personal impairment.  
True  
False

- 22) Impairments to organizational independence result when the audit function is organizationally located within the reporting line of the areas under audit.  
True  
False
- 23) Audit organizations that are considered internal audit functions are encouraged to use IIA International Standards for Professional Practice of Internal Auditing in conjunction with GAGAS.  
True  
False
- 24) Audit organizations may provide nonaudit services that involve performing management functions.  
True  
False
- 25) Providing tools and methodologies that can be used by management is considered a nonaudit service that does NOT impair the auditor independence.  
True  
False
- 26) Preparing draft financial statements that are based on management's chart of accounts is an example of a nonaudit service that would impair independence even if supplemental safeguards are implemented.  
True  
False
- 27) Maintaining the audited entity's basic accounting records is an example of a nonaudit service that impairs independence.  
True  
False
- 28) Professional judgment includes exercising reasonable care and professional skepticism.  
True  
False
- 29) Competence is derived from a blending of education and experience.  
True  
False
- 30) The minimum required continuing education hours required for auditors performing work under GAGAS is 8 hours of continuing education, every year, directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates.  
True  
False
- 31) Each audit organization performing audits or attestation engagements in accordance with GAGAS must establish a system of quality control.  
True  
False

- 32) An audit organization's quality control policies should address leadership responsibilities for quality within the audit organization.  
True  
False
- 33) An external audit organization is NOT required to make peer review reports publicly available.  
True  
False
- 34) Under AICPA standards and GAGAS, auditors must obtain an absolute level of assurance that the financial statements are free of material misstatement.  
True  
False
- 35) GAGAS broaden the parties included in the communication and the items for the auditors to communicate.  
True  
False
- 36) Auditors should evaluate whether the audited entity has taken appropriate corrective action to address findings and recommendations from previous engagements that could have a material effect on the financial statements.  
True  
False
- 37) Auditors are required to provide reasonable assurance of detecting abuse.  
True  
False
- 38) In developing elements of a finding, criteria identify the required or desired state or expectation with respect to the program or operation.  
True  
False
- 39) Departures from presumptively mandatory requirements should be documented.  
True  
False
- 40) The concept of materiality recognizes that some matters are important for fair presentation of financial statements in conformity with generally accepted accounting principles, while other matters are not important.  
True  
False
- 41) When performing an audit procedure on an investigated entity, auditors should maintain a "separation of duties" and should not assist investigators or legal authorities.  
True  
False
- 42) For financial audits, GAGAS incorporate the AICPA field work and reporting standards.  
True

False

43) GAGAS prohibits auditors from issuing a separate report conforming only to AICPA or other standards.

True

False

44) For financial audits, auditors should report, as applicable to the objectives of the audit, significant deficiencies in internal control.

True

False

45) Auditors have a responsibility to inform those charged with governance about fraud and illegal acts.

True

False

46) Significant uncertainties surrounding projections in financial statements are an example of a matter that auditors may communicate in a GAGAS audit.

True

False

47) Auditors should evaluate the timeliness and appropriateness of management's disclosure and actions to determine and correct misstatements in previously-issued financial statements.

True

False

48) Auditors should directly inform oversight bodies rather than those charged with governance if entity management does not restate with reasonable timeliness the financial statements under circumstances in which auditors believe they need to be restated.

True

False

49) Oral comments from responsible officials should never be included in an auditor's report.

True

False

50) If the subject of the audit involves material that is classified for security purposes, auditors may limit the report distribution.

True

False

Exam Name: Government Auditing Standards  
--Final Exam

1) Generally accepted government auditing standards (GAGAS) are for use by auditors of government entities and entities that receive government awards and audit organizations performing GAGAS audits and attestation engagements.

True

False

- 2) When defining professional requirements in GAGAS
- a) Every paragraph of GAGAS carries a professional requirement that auditors and audit organizations are expected to fulfill.
  - b) Auditors may depart from an unconditional requirement provided they document their justification for the departure.
  - c) Auditors have the responsibility to consider the entire text of GAGAS in carrying out their work.
  - d) Explanatory material is intended to be required rather than descriptive.
- 3) Explanatory material that identifies and describes other procedures or actions imposes a professional requirement on the auditor or audit organization to perform the suggested procedures or actions.
- True  
False
- 4) An unmodified GAGAS compliance statement is the only acceptable type of compliance statement that should be included in reports on GAGAS audits and attestation engagements.
- True  
False
- 5) Professional standards other than GAGAS
- a) May not be used in conjunction with GAGAS.
  - b) Should not be cited in audit reports.
  - c) Should not be used without prior written approval from the GAO.
  - d) May be used, but the auditor should use GAGAS as the prevailing standard if inconsistencies exist between GAGAS and the standards cited.
- 6) The type of audit that is NOT covered by GAGAS in the Government Auditing Standards document is
- a) Attestation engagements
  - b) Financial audits
  - c) Tax compliance reviews
  - d) Performance audits
- 7) Financial audits provide an independent assessment of and reasonable assurance about whether an entity's reported financial condition, results, and use of resources are presented fairly in accordance with recognized criteria.
- True  
False
- 8) Attestation engagements:
- a) Cover a very narrow range of financial objectives.
  - b) Always result in an examination.
  - c) Are never used on nonfinancial objectives.
  - d) Result in an examination, a review, or an agreed-upon procedures report.
- 9) Performance audits provide objective analysis so that management and those charged with governance and oversight can use the information to improve program performance and operations.
- True  
False

- 10) Which of the following is TRUE about performance audit objectives?
- a) They are mutually exclusive.
  - b) They should not include compliance issues.
  - c) They do not vary.
  - d) There may be more than one overall objective.
- 11) Internal control comprises the plans, policies, methods, and procedures used to meet the organization's mission, goals, and objectives.
- True
  - False
- 12) Compliance audit objectives include:
- a) Providing conclusions based on current and projected trends and future potential impact on government programs and services.
  - b) Policy or legislative proposals.
  - c) The purpose of the program and the manner in which it is to be conducted.
  - d) Program or policy objectives.
- 13) Prospective analysis audit objectives provide analysis or conclusions about information that is based on assumptions about events that may occur in the future.
- True
  - False
- 14) GAGAS covers nonaudit professional services.
- True
  - False
- 15) Which is NOT one of the ethical principles that guide the work of auditors who conduct audits in accordance with GAGAS?
- a) Integrity
  - b) Professional behavior
  - c) Objectivity
  - d) Profit
- 16) Making decisions consistent with the public interest of the program or activity under audit is an important part of the principle of integrity.
- True
  - False
- 17) Which of the following is considered a proper use of government information, resources, and position?
- a) Using sensitive information for personal gain.
  - b) Disclosing classified information to the public because of the public's right to the transparency of government information.
  - c) Protecting and conserving government resources.
  - d) Using the position as an auditor to pass sensitive information to an organization with which the auditor is negotiating future employment.
- 18) The three general classes of impairments to independence do NOT include:

- a) Personal
- b) Organizational
- c) External
- d) Societal

19) Personal impairments of auditors result from:

- a) Relationships or beliefs that might cause auditors to limit the extent of the inquiry.
- b) Using the work of an actuary, who is also an employee of the audit firm.
- c) Using GAGAS as the prevailing standard.
- d) Using alternative professional standards in conjunction with GAGAS.

20) Seeking employment during the conduct of the audit with an audited organization is NOT considered a personal impairment.

- True
- False

21) Which of the following conditions is considered an external impairment?

- a) Preconceived ideas toward individuals of a particular program that could bias the audit.
- b) Biases from political ideology.
- c) Unreasonable restrictions on the time allowed to complete an audit.
- d) Financial interest that is direct.

22) Audit organization in government entities may be presumed to be free from organizational impairments if the head of the audit organization is:

- a) Directly elected by voters from outside of the jurisdiction and subject to removal by a state judge.
- b) Elected by a legislative body and not subject to removal by a legislative body.
- c) Appointed by the local mayor and confirmed by the city council.
- d) Appointed by a legislative body, subject to removal by a legislative body, and reports and audits to and is accountable to a legislative body.

23) What are audit organizations that work for management of the audited entities encouraged to use in conjunction with GAGAS?

- a) GIP Government Internal Procedures
- b) GAP Governmental Auditing Practices
- c) IIA International Standards for Professional Practice of Internal Auditing.
- d) OSHA American Standards for Audited Entities.

24) Audit organizations should never perform nonaudit services that are not in accordance with GAGAS.

- True
- False

25) Nonaudit services in which auditors provide technical advice based on their technical knowledge and expertise impairs auditor independence with respect to entities they audit.

- True
- False

26) Nonaudit services that would not impair independence if supplemental safeguards are implemented include:

- a) Participating in a focus group as an expert in a purely advisory, nonvoting capacity to address urgent problems.

- b) Providing internal control assessment methodologies that can be used by management.
- c) Providing targeted and limited technical advice to assist management with implementing audit recommendations.
- d) Providing payroll services when payroll is not materials to subject matter of the audit.

27) Nonaudit services that impair independence include:

- a) Preparing routine tax filings based on information provided by the audited entity.
- b) Providing basic accounting assistance limited preparing draft financial statements that are based on management's chart of accounts and trial balance.
- c) Determining account balances.
- d) Preparing an entity's indirect cost proposal with amount that are not material to the financial statements and with management assuming responsibility for all significant assumptions and data.

28) Professional skepticism includes a mindset in which auditors assume neither that management is dishonest nor of unquestioned honesty.

True

False

29) Which of the following is NOT true about professional competence?

- a) The audit organization's management should assess skill needs to consider whether its workforce has the essential skill to match those necessary to fulfill a particular audit mandate.
- b) Competencies can be measured solely by the number of years of auditing experience.
- c) Competence should be maintained through a commitment to learning and development throughout an auditor's professional life.
- d) Competence is derived from a blending of education and experience.

30) How many hours of continuing professional education related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates should an auditor performing work under GAGAS complete every 2 years?

- a) 12
- b) 24
- c) 36
- d) 48

31) Each audit organization performing audits or attestation engagements in accordance with GAGAS must have an external peer review once every:

- a) Year
- b) 2 years
- c) 3 years
- d) 4 years

32) Each audit organization must document its quality control policies and procedures and communicate those policies and procedures to its personnel.

True

False

33) A peer review team:

- a) Should NOT have personnel with prior experience on a previous peer review team.
- b) Should be selected from the audit organization being reviewed.

- c) Is not required to have current knowledge of government auditing.  
d) Should have sufficient knowledge of how to perform a peer review obtained from on-the-job training, training course, or a combination of both.
- 34) An audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement.  
True  
False
- 35) Which of the following is NOT one of the three AICPA generally accepted standards of field work?  
a) The auditor must obtain a sufficient understanding of the entity and its environment.  
b) The auditor must obtain sufficient appropriate audit evidence by performing audit procedures to afford a reasonable basis for an opinion regarding the financial statements under audit.  
c) The auditor must apply AICPA standards even if specifically excluded by GAGAS.  
d) The auditor must adequately plan the work and must properly supervise any assistants.
- 36) When planning an audit, auditors should ask management of the audited entity to identify previous audits, attestation engagements, and other studies that directly related to the objectives of the audit.  
True  
False
- 37) Material misstatements from abuse:  
a) Always involves fraud.  
b) Always involves a violation of laws.  
c) Always involves a violation of a contract agreement.  
d) Always involves behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances.
- 38) The elements needed for an audit finding depend entirely on:  
a) Current regulations  
b) The cause of the deficiency  
c) The objective of the audit  
d) The expected outcome of the audit
- 39) Auditors must always comply with applicable GAGAS requirements even when other law, regulations, scope limitations, and restrictions on access to records impact the audit.  
True  
False
- 40) Even a properly planned and performed audit may not detect a material misstatement resulting from fraud.  
True  
False
- 41) It is never the responsibility of the auditor to report indications of illegal acts to law enforcement or investigatory authorities.  
True  
False
- 42) Which is NOT one of the AICPA generally accepted standards of reporting for financial audits?

- a) The auditor must state in the auditor's report those circumstances in which such principles have not been consistently observed in the current period in relation to the preceding period.
- b) When the auditor determines that informative disclosures are not reasonable adequate, the auditor must so state in the auditor's report.
- c) The auditor must express an opinion regarding the financial statements, taken as a whole, or state that an opinion cannot be expressed, in the audit report.
- d) The auditor must state in the auditor's report whether the financial statements are presented in accordance with GAGAS.

43) When auditors comply with all applicable GAGAS requirements they should include a statement in the auditors' report that they performed the audit in accordance with GAGAS.

- True
- False

44) A material weakness in internal control is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected.

- True
- False

45) When auditors detect violations of provisions of a contract that has an effect on the financial statements that is less than material but more than inconsequential, they should:

- a) Withdraw from the audit until a determination has been made of the materiality of the violations.
- b) Notify the other party to the contract verbally or in writing.
- c) Communicate the findings in writing to officials of the audited entity
- d) Notify the SEC and/or the GAO.

46) Unusual or catastrophic events that will likely have a significant ongoing or future impact on the entity's financial condition should be communicated by the auditor in a GAGAS audit.

- True
- False

47) Under GAGAS, which of the following procedures related to restated financial statements is NOT required to be performed?

- a) Report on restated financial statements.
- b) Report directly to appropriate officials when the audited entity does not take the necessary steps.
- c) Evaluate the timeliness and appropriateness of management's disclosure and actions to determine and correct misstatements in previously issued financial statements.
- d) Consult an independent auditor as a secondary source.

48) In a written statement, auditors advised management of ABC Industries that appropriate disclosures related to a restatement of previously-issued financial statements must be made to the appropriate officials. If the department of ABC Industries charged with governance does not report the restatement to the appropriate officials, the auditors are NOT required to notify the appropriate oversight bodies and auditing agencies since they advised management in writing.

- True
- False

- 49) If an audited entity refuses to provide comments related to deficiencies in internal control, the auditors should NOT issue the report until they receive comments from the entity.  
True  
False
- 50) When distributing reports completed under GAGAS:  
a) Distribution should NOT be limited because of the existence of material that is classified for security purposes.  
b) Internal audit organizations should NOT follow the Institute of Internal Auditors (IIA) International Standards for Professional Practice of Internal Auditing.  
c) Auditors should communicate the results to the parties who can ensure that the results are given due consideration.  
d) Auditors do NOT have to document any limitation on report distribution.
- 51) The AICPA general standard related to criteria states that the practitioner (auditor) must have reason to believe that the subject matter is capable of evaluation against criteria that are suitable and available to users.  
True  
False
- 52) When planning an attestation engagement, auditors should:  
a) NOT communicate in advance the level of assurance the auditor will provide, as the level of assurance is determined after the completion of the engagement.  
b) Disregard findings from previous attestation engagements.  
c) NOT be required to document the results of the work to the date of the termination, if the engagement is terminated before it is completed and a report is not issued.  
d) Communicate the nature, timing, and extent of planned testing and reporting to entity management.
- 53) When planning an attestation engagement, auditors should ask entity management to identify previous audits, attestation engagements, and other studies that directly relate to the subject matter of the attestation being undertaken.  
True  
False
- 54) A deficiency in internal control operation exists when:  
a) A control necessary to meet the control objective is missing.  
b) An existing control is not properly designed so that, even if the control operates as designed, the control objective is not met.  
c) The person performing the control does not possess the necessary authority or qualifications to perform the control effectively.  
d) Computer network access to entity financial records is not restricted properly.
- 55) Auditors are required to provide reasonable assurance of detecting abuse in attestation engagements.  
True  
False
- 56) Which of the following do auditors NOT need to document for attestation engagements performed under GAGAS?  
a) Evidence of supervisory review, before the engagement report is issued, of the work performed that supports findings, conclusions, and recommendations contained in the engagement report.

- b) The objectives, scope, and methodology of the attestation agreement.
- c) The work performed to support significant judgments and conclusions.
- d) Evidence that no fraud has occurred for the period reviewed.

57) Which of the following is NOT one of the AICPA reporting standards that apply to all levels of attestation engagements?

- a) The practitioner (auditor) must identify the subject matter or the assertion being reported on and state the character of the engagement in the report.
- b) The practitioner (auditor) must state the practitioner's (auditor's) conclusion about the subject matter or the assertion in relation to the criteria against which the subject matter was evaluated in the report.
- c) The practitioner (auditor) must state all the practitioner's (auditor's) significant reservations about the engagement, the subject matter, and, if applicable, the assertion related thereto in the report.
- d) The practitioner (auditor) must state that the report is intended as a guide to guarantee absence of fraud or other illegal acts in relation to the subject matter evaluated in the report.

58) GAGAS prohibits auditors from issuing a separate report conforming only to the requirements of other standards.

- True
- False

59) What deficiencies in internal control should auditors report for all attestation engagements?

- a) Insignificant deficiencies
- b) Inconsequential misstatements of subject matter
- c) Material weaknesses
- d) A combination of insignificant deficiencies.

60) Internal audit organizations do NOT have a duty to report outside the entity unless required by law, rule, regulation, or policy.

- True
- False

61) When reporting views of responsible officials in an attestation engagement report:

- a) A draft report should never be provided.
- b) Oral comments are unacceptable.
- c) If the entity refuses to provide comments, the auditor's should not issue the report.
- d) Auditors should obtain and report the views concerning the findings, conclusions, and recommendations, as well as planned corrective actions.

62) If certain information in an attestation engagement report is classified, auditors may issue a separate classified or limited use report.

- True
- False

63) When audit organizations are subject to public records laws, auditors may communicate general information in a written report and communicate detailed information verbally.

- True
- False

64) Which of the following is NOT true about the distribution of attestation engagement reports?

- a) Auditors should document any limitation on report distribution.
  - b) Public accounting firms contracted to perform an engagement under GAGAS should clarify report distribution responsibilities with the engaging organization.
  - c) Audit organizations in government entities should distribute reports to those charged with governance, to the appropriate entity officials, and to the appropriate oversight bodies or organizations requiring or arranging for the engagements.
  - d) Internal audit organizations in government entities must follow the IIA International Standards for the Professional Practice of Internal Auditing standards of distribution.
- 65) Significance in a performance audit is defined as the relative importance of a matter within the context in which it is being considered.
- True
  - False
- 66) According to GAGAS, audit risk:
- a) Involves qualitative, but not quantitative consideration.
  - b) Cannot be reduced by increasing the scope of the work.
  - c) Includes the risk that auditors will not detect fraud in the evidence supporting the audit.
  - d) Is increased by adding additional reviewers.
- 67) When planning a performance audit:
- a) All planning should be completed prior the actual audit.
  - b) The auditor determines what evidence constitutes sufficient support for their conclusions based on professional judgment.
  - c) Request approval from entity management for changes in the audit team, including changes in experts used on a consulting basis, if the changes occur after the audit plan is initially signed.
  - d) Audit scope cannot change during the audit unless management agrees to a change in services provided.
- 68) Obtaining an understanding of the nature of the program under audit can often bias the audit and is NOT recommended under GAGAS.
- True
  - False
- 69) Auditors should use the stated program purpose and goals as criteria of assessing program performance.
- True
  - False
- 70) Program operations are:
- a) The amount of resources that are put into a program.
  - b) The quantity of goods or services produced by a program.
  - c) Accomplishments or results of a program.
  - d) The strategies, processes, and activities management uses to convert efforts into outputs.
- 71) Which of the following is NOT true about internal control?
- a) Effective controls at an audited entity may enable the auditors to limit the extent and type of audit testing needed.
  - b) Poorly controlled aspects of a program have a higher risk of failure, so auditors may choose to focus their efforts in these areas.
  - c) Auditors must evaluate information system controls if the entity uses an information system.

d) Auditors should obtain an understanding of internal control that is significant within the context of the audit objectives.

72) Internal control objectives listed in the government auditing standards include gaining an understanding of all except:

- a) Relevance and reliability of information.
- b) Compliance with applicable laws and regulations and provisions of contracts or grant agreements.
- c) Effectiveness and efficiency of program operations.
- d) Reliability of machinery used in operations.

73) Information systems controls consist of those internal controls that are dependent on information systems processing and include general controls and application controls.

- True
- False

74) When information systems controls are determined to be significant to the audit objectives, auditors should then evaluate the design and operating effectiveness of such controls.

- True
- False

75) When auditors identify significant risk factors that indicate that material fraud is likely to occur, the auditors should:

- a) Withdraw from the engagement, pending management's identification of the extent of such fraud.
- b) Design procedures to provide reasonable assurance of detecting such fraud.
- c) Inform entity management in writing of resulting scope limitations and potential scope and fee increase.
- d) Perform adequate additional work to detect if abuse has occurred.

76) \_\_\_\_\_ is defined in the GAO as behavior that is deficient or improper when compared with behavior that a prudent person would consider reasonable and necessary business practice given the facts and circumstances.

- a) Fraud
- b) Slander
- c) Abuse
- d) Risk

77) Criteria provide a context for evaluating evidence and understanding the findings, conclusions, and recommendations included in the audit report.

- True
- False

78) When communicating with those charged with governance:

- a) It is always clearly evident who is charged with governance.
- b) Oral communication is preferred.
- c) Auditors should never use an engagement letter to communicate information.
- d) Auditors should communicate an overview of the objectives, scope, and methodology.

79) When obtaining evidence, auditors CANNOT use statistical analysis to determine if the amount of evidence gathered is sufficient.

- True

False

- 80) \_\_\_\_\_ refers to the extent to which evidence is based on sound reasoning or accurate information.
- a) Reliability
  - b) Relevance
  - c) Validity
  - d) Circumstantiality
- 81) Which of the following is NOT true about the different types and sources of evidence that auditors may use?
- a) Testimonial evidence obtained under conditions in which persons may speak freely is generally more reliable than evidence obtained under circumstances in which the persons may be intimidated.
  - b) When a representative sample is needed, the use of statistical sampling approaches generally results in stronger evidence than that obtained from nonstatistical techniques.
  - c) Evidence obtained through the auditors' direct physical examination, observation, computation, and inspection is generally more reliable than evidence obtained indirectly.
  - d) Examination of copies of documents is just as reliable as examination of original documents.
- 82) In determining the sufficiency of evidence, auditors should determine whether enough appropriate evidence exists to address the audit objectives and support the findings and conclusions.
- True  
False
- 83) A finding or set of findings is complete to the extent that the audit objectives are addressed and the report clearly relates those objectives to the elements of a finding.
- True  
False
- 84) Which of the following is NOT one of the purposes of an audit report?
- a) Facilitate follow-up
  - b) Communicate the results of audits to those charged with governance.
  - c) Keep the results from the public.
  - d) Make the results less susceptible to misunderstanding.
- 85) Auditors should place their findings in perspective by describing the nature and extent of the issues being reported and the extent of the work performed that resulted in the finding.
- True  
False
- 86) When auditors conclude, based on sufficient, appropriate evidence, that significant abuse has occurred or is likely to occur, they:
- a) Should consult authorities only if subpoenaed.
  - b) Should NOT report the matter as a finding.
  - c) Should limit their public reporting, even if the reporting would not compromise legal proceedings.
  - d) May consult with authorities or legal counsel about whether publicly reporting such information would compromise investigative or legal proceedings.
- 87) Conclusions are stronger if they lead to the auditors' recommendations and convince the knowledgeable user of the report that action is necessary.
- True

False

88) When reporting views of responsible officials:

- a) Officials must provide comments.
- b) A summary of the written comments is not acceptable.
- c) Oral comments are acceptable.
- d) An evaluation of the comments is not recommended.

89) Auditors may issue a limited use report containing information that is justifiably excluded due to safety and security concerns.

True

False

90) Which of the following is an example of abuse?

- a) Inadequate controls for the safeguarding of assets.
- b) Dry cleaning picked up by staff for supervisor.
- c) Employees who lack the qualifications and training to fulfill their assigned functions.
- d) Key documentation is lacking or does not exist.

91) Making travel choices that are contrary to existing travel policies is an example of fraud.

True

False

92) An example of an indicator of fraud risk is:

- a) Support for ethical standards by management.
- b) The organizational structure is stable and easy to understand.
- c) Operating policies and procedures are current.
- d) A pattern of large procurements in any budget line with remaining funds at year end.

93) Auditors at the state level of government may ignore requirements by state laws to follow GAGAS if GAGAS is NOT required on the federal level.

True

False

94) Audit organizations in government entities providing nonaudit services performed in response to a statutory requirement will impair auditor independence.

True

False

95) An example of a policy and procedure listed in the GAO designed to provide the audit organization with reasonable assurance that audits are performed in accordance with professional standards is:

- a) Obtaining and addressing recent industry trends pertinent to the audited entity, if material.
- b) Collaborating with other professional organizations to advance auditing of government entities and programs.
- c) Communicating to team members so that they sufficiently understand the objectives of their work.
- d) Providing audit services that do not involve a GAGAS audit.

96) Monitoring is:

- a) Most effective when performed by persons with responsibility for the specific activity being monitored.

- b) A onetime assessment of audit and attestation engagements.
- c) Best assigned to a staff member with little authority, to avoid conflicts of interest.
- d) Designed to provide management of the audit organization with reasonable assurance that the policies and procedures are suitably designed and operating effectively in practice.

97) \_\_\_\_\_ evidence is obtained in the form of already existing information such as letters, contracts, spreadsheets, and accounting records.

- a) Primary
- b) Emotional
- c) Documentary
- d) Testimonial

98) One of the primary factors influencing the assurance associated with a performance audit is the appropriateness of the evidence in relation to the audit objectives.

- True
- False

99) Audit reports are more accurate when the findings are presented in the broader context of the issue.

- True
- False

100) To be of maximum use, providing relevant evidence in time to respond to officials of the audited entity, legislative officials, or other users' legitimate needs is the auditors' goal.

- True
- False