

**Forest Service Handbook
National Headquarters - Washington Office
Washington, DC**

**Forest Service Handbook 1409.15 – Auditing Concessions Handbook
Chapter 40 - Audit Working Papers and Reports**

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Approved by:

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Responsible Staff:

Explanation of changes:

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41 - Audit Working Papers

1. Purpose. The purposes of the audit working papers are to:
 - a. Have a documented record of work done on the survey and audit.
 - b. Provide basic information from which the auditor's report is written.
 - c. Provide support for the auditor's determinations and conclusions.
 - d. Provide for review of work performed, by appropriate personnel.
 - e. Provide a starting point for subsequent year's work.
2. Standards.
 - a. Each working paper shall be marked at the top "For Official Use Only."
 - b. Each working paper shall be headed with the permittee's name, the descriptive title of the subject matter, and the period covered.
 - c. Each working paper shall be numbered and indexed on a summary sheet. Cross-references shall be made on the related sheets as footnotes. Footnotes shall appear only on the worksheet itself.
 - d. All checks, symbols, and other marks shall be described in a legend placed at the bottom of each working paper.
 - e. In the upper right corner below the working paper number, write, or rubber stamp the auditor's name, and show the date the working paper was completed.
 - f. Somewhere on each working paper, preferably on the bottom line for standardization, state the source(s) from which the subject information was taken.
3. Contents. These instructions do not prescribe the contents of working papers. The auditor shall make this decision based on professional judgment and knowledge of what information is necessary and useful. The auditor should, in each case, think about what information to record on any given working paper. If necessary, the auditor should plan the design on scratch paper before heading the working paper to avoid jumping into the work and finding that what was provided for did not give what was wanted or needed. The auditor should also decide whether it is more economic to transcribe schedules and statements or obtain copies of them for the working paper file. The working paper file should be limited to data relevant to the survey and audit and be arranged on a well-organized basis and provide convenient traceability. The working papers shall be prepared in accordance with standards existing in the accounting profession.

4. Files. Original working papers, including the survey, audit analysis, and report shall be maintained in the Forest Office responsible for administration of the permit. A copy of the work papers, for at least the most recent of each concession audit performed by Regional Office accountants/auditors, shall be retained at the Regional Office for reference and administrative purposes. Forest level audit results (report) shall be sent to the Regional Office. See FSH 6209.11 for retention and disposition instructions.

42 - Auditor's Report

1. The auditor's report to the Forest Supervisor will consist of the following segments:
 - a. Background of the permit operation including a description or itemization of the types of business being conducted on the permitted area and the distinctive provisions of the permit. This segment may be a continuing record from audit to audit, adding changes to it as they occur. It is not necessary to repeat this segment entirely on each audit report itself but rather have it serve as a permanent reference in the file.
 - b. Period of audit and when the audit was made.
 - c. Statement as to the adequacy of the permittee's accounting records, and recommendations for changes the permittee has agreed to make.
 - d. Corrective actions taken to comply with recommendations made in the preceding audit report.
 - e. Statement as to the correctness of fees due and paid including amount of deficiency or overpayment and recommended action to be taken.

Modest fees found to be payable upon audit should be handled by allowing the permittee to pay the amount due at the time he makes his next scheduled fee payment.

Comments and recommendations by individual subject matter should be made. This will make the report more meaningful to the reader, particularly when all relevant material pertaining to a particular subject is contained under one heading. The audit report should contain a schedule showing reported and adjusted revenues and resulting changes and computed fees, if any, for year or the period audited. The causes and/or reasons for adjustments between reported and adjusted revenues should be explained.

- f. Statement as to reconditioning or replacement of Government property; costs allowed for work done by permittee himself, etc.
 - g. Recommendations, which may also include by reference or restate those in items c and e.

- h. General financial information about the success or failure of the permittee to operate profitably and the degree of profit or loss, which would bear on the fee rate revision at the fee revision date.
- i. Auditor's summary opinion followed by a list of exceptions and unusual conditions qualifying the opinion.
- j. Recommended reaudit date (month and year).
- k. Auditor's signature.

2. When the scope of the audit is expanded for the purpose of obtaining additional financial data including sales and profits growth trends analyses and other data for fee redetermination, the auditor will include any information he considers useful to the officer making the decision to retain the present fee rate or amount or for change to flat-fee basis or vice-versa.

3. An audit report will be addressed to the Regional Fiscal Agency whenever the audit is made from the Regional Office. It will be forwarded to the Forest Supervisor by transmittal memorandum or endorsement. An audit report containing a recommendation for fee change will be submitted to the officer who will determine the fee or class, with a copy to the Forest Supervisor when decision is required to be made at higher levels.

4. Responsibility for action and resolution on the audit findings and recommendations rests with the Forest officer administering the permit. The auditor should remain available to assist in any manner requested by the Forest officer.

42.1 - Audit Report for Interpretive Associations

1. Reporting Requirements. The auditor will prepare a final report upon completion of the audit. The report must indicate that the audit was performed in accordance with the procedures in sec. 36. The content of the report must be consistent with the scope of the audit. All reports should (1) include an opinion as to the accuracy of the financial statements; (2) identify any areas of noncompliance with the corporate charter, bylaws or cooperative agreement; and (3) appraise the adequacy of the accounting system and internal control during the period covered by the audit.

2. Report Distribution. Copies of the report will be distributed as follows:

- a. Original and one copy to the interpretive association.
- b. One copy to the District Ranger.
- c. One copy to the Supervisor's Office.

d. Two copies to the Regional Office under file designation 1440. External Accounting and Audit. Use the parenthetical acronym "(F&AM)" under the file designation.

3. Content and Format. All audit reports should include a cover page, exhibits, and narrative sections, as necessary.

a. Cover Page. The cover page should show:

1. Name of association.
2. Forest.
3. Ranger district.
4. Period covered by audit.
5. Date of report.
6. Name of auditor(s).
7. Auditor's signature.

b. Introduction. The introduction section should include the name and location of the association, the period covered by the audit, and a description of items sold by the association. The dates of the audit field work should be included as a closing paragraph.

c. Scope of Audit. This section should clearly explain the scope and objectives of the audit. While the scope section must be tailored for each report, the following characteristics are generally present.

- (1) A specific statement concerning conduct of the audit in accordance with generally accepted auditing standards, and with the audit guidance in section 36.
- (2) Clear and precise statements of the specific audit objectives, with sufficient information to enable the reader to ascertain the nature of the audit work completed.
- (3) Qualifying or limiting remarks, if needed, to avoid unwarranted inferences concerning the scope and purpose of the audit and to call attention to departure from either standards of this audit guide or to omissions of regular auditing procedures.

d. Auditor's Opinion. In this section, the auditor should state his opinion as to the accuracy of the financial statements and any qualification thereto.

e. Comments on Prior Audit Report Findings. This part will include the status of actions on findings reported in prior year audits. Where adequate corrective action has not been taken, and the finding is reported again in the current report, the auditor need only briefly describe the prior finding and show the reference where it is included in this current report.

f. Comments on Internal Accounting and Administrative Controls and Compliance. This section will include the auditor's description of the following:

1. Forest Service handling of sales and receipts in accordance with FSH and FSM requirement.
2. Association's internal accounting and controls.
3. Association's compliance with terms of the cooperative agreement its corporate charter and its bylaws.

The descriptions in this section should be complete for the initial audit of an association. On succeeding audits, this section should contain only changes that have occurred since the previous audit.

g. Audit Findings and Recommendations. This section will contain findings regarding internal controls, handling of cash receipts, and the accounting system and the recommended corrective action. The findings should be grouped by category under a descriptive subheading, (such as, Accounting System, Sales, or Receipts). Each finding should be explained in sufficient detail to enable the reader to understand both the cause and the effect of the discrepancy. Each finding should be followed by one or more recommendations presented in a manner that will illustrate how the recommended corrective action will correct the deficiency or improve the association's operations. Generally, there are six structural characteristics of all findings, which should be considered in the discussing report findings. These are:

1. Condition. The problem or finding itself--what it is, what is deficient or in error, and the extent of the problem.
2. Cause. The underlying reason why the condition occurred and what must be corrected.
3. Criteria. The measuring standards against which the finding is being compared, such as generally accepted accounting principles, charter bylaws, and FSM or FSH requirements.
4. Effect. The end results of the condition--the significance of the deficiency in terms of cost, performance, etc.
5. Conclusion. The logical consequence of a reasoning process.

6. Recommendation. The change needed to correct the cause of the problem.

h. Conclusion. This section should include any comments by the association's official on the findings and recommendations and the auditor's rebuttals of auditor's comments (if any). Information on any corrective action already taken should be included in this section.

The concluding paragraph should include acknowledgement of courtesies extended during the course of the audit.