AGA.GFMC.v2025-12-05.q54

Exam Code:	GFMC
Exam Name:	Examination 3: Governmental Financial Management and Control (GFMC)
Certification Provider:	AGA
Free Question Number:	54
Version:	v2025-12-05
# of views:	128
# of Questions views:	540
https://www.freepdfdumps.com/AGA.GFMC.v2025-12-05.q54.html	

NEW QUESTION: 1
Management shoulg consider the cost of internal controls in relationship to
A. the available budget.
B. inherent risks.
C. benefits provided.
D. risk of collusion.
Answer: (SHOW ANSWER)
Why Should Management Consider the Cost of Internal Controls in Relation to Benefits?
* Thecost-benefit principlestates that the cost of implementing and maintaining internal controls should not exceed the benefits derived from those controls. Effective internal controls help mitigate risks, improve efficiency, and ensure compliance, but their implementation comes with costs (e.g., time, resources, systems).
* Management must evaluate whether the benefits of preventing or detecting potential issues (e.g., fraud, errors) justify the associated costs.
Why Other Options Are Incorrect:
* A. The available budget:While the budget is important, internal controls are not solely dictated by budget constraints; their effectiveness and benefit-to-cost ratio are key considerations.
* B. Inherent risks:While inherent risks are a factor in determining control needs, the relationship between cost and benefit remains the primary consideration.
* D. Risk of collusion:Controls address collusion risks, but management does not prioritize collusion specifically when assessing cost versus benefit.
References and Documents:

* COSO Internal Control Framework:Highlights the cost-benefit principle when implementing controls.
* GAO Standards for Internal Control (Green Book):Emphasizes balancing costs with benefits when designing internal control systems.

NEW QUESTION: 2
The legislation that expanded the requirements of audits to virtually all federal agencies is the
A. CFO Act of 1990.
B. Accountability for Tax Dollars Act of 2002.
C. Federal Financial Management Improvement Act of 1996.
D. Government Management Reform Act of 1994.
Answer: (SHOW ANSWER)
What Did the Accountability for Tax Dollars Act Do?
* This act expanded the audit requirements tovirtually all federal agencies, not just those covered under the CFO Act of 1990.
* It mandated that agencies prepare audited financial statements to improve transparency, accountability, and the management of federal funds.
Why Other Options Are Incorrect:
* A. CFO Act of 1990:This act required audited financial statements but only applied to the 24 largest federal agencies (those covered under the Chief Financial Officers Act).
* C. Federal Financial Management Improvement Act of 1996:Focused on financial system compliance with federal accounting standards, not expanding audit requirements.
* D. Government Management Reform Act of 1994:Extended the CFO Act requirements to consolidated government-wide financial statements, not all federal agencies.
References and Documents:
* Accountability for Tax Dollars Act of 2002:Specifies the expanded audit requirements for federal agencies.
* GAO Guide on Federal Financial Management Laws:Provides a comprehensive overview of key legislation.

NEW QUESTION: 3
Entity management's appointment of a senior official to ensure the resolution of audit recommendations is a demonstration of management's
A. agreement with the audit findings.
B. disagreement with the audit findings.
C. delegation of authority.
D. support for the audit process.
Answer: (SHOW ANSWER)
* Management's Role in Resolving Audit Recommendations:

* By appointing a senior official to oversee the resolution of audit recommendations, management demonstrates itscommitment and supportfor the audit process.
* This action indicates a proactive approach to addressing findings and improving operations.
* Explanation of Answer Choices:
* A. Agreement with the audit findings: While this may indicate agreement, appointing a senior official is more about ensuring action is taken rather than expressing agreement.
* B. Disagreement with the audit findings: Incorrect. Appointing a senior official is a constructive step, not an indication of disagreement.
* C. Delegation of authority: Incorrect. Delegation is involved, but the key point is the demonstration of management's support for addressing audit findings.
* D. Support for the audit process: Correct. This action underscores management's commitment to resolving audit findings and improving accountability.

:

GAO,Standards for Internal Control in the Federal Government (Green Book).
OMB Circular A-50,Audit Follow-Up.

NEW QUESTION: 4

Which of the following includes the aggregate level and types of risks that the organization is willing to assume in order to achieve its Strategic objectives?

A. risk register

B. risk and control evaluation matrix

C. risk profile

D. risk and control assessment tool

Answer: C (LEAVE A REPLY)

What Is a Risk Profile?
* Arisk profilerepresents the aggregate level and types of risks that an organization is willing to accept in pursuit of its strategic objectives. It aligns with the organization's risk appetite and tolerance and helps prioritize and manage risks effectively.
* This profile typically includes key risks, their likelihood, and potential impact, as well as how those risks align with the organization's mission and strategy.

Why Is Risk Profile the Correct Answer?
* The risk profile provides an enterprise-wide view of risks and their potential influence on achieving strategic goals. It aggregates risks across all levels of the organization and ensures that management considers them when making decisions.

Why Other Options Are Incorrect:
* A. Risk Register:While a risk register includes detailed descriptions of individual risks, it does not aggregate risk levels or types across the organization.
* B. Risk and Control Evaluation Matrix:This tool evaluates specific risks and controls but does not capture the organization's overall risk appetite or profile.

* D. Risk and Control Assessment Tool:This is a generic tool for assessing risks and controls, not for aggregating the overall risk picture.
References and Documents:
* OMB Circular A-123:Specifies the need for agencies to maintain a risk profile as part of enterprise risk management.
* COSO ERM Framework (2017):Defines a risk profile as central to managing risks in alignment with strategic objectives.

NEW QUESTION: 5
A sound investment category for pension funds that can be easily valued is
A. open-ended mutual funds.
B. reverse repurchase agreements.
C. derivative instruments.
D. internal investment pools.
Answer: (SHOW ANSWER)
What Are Open-Ended Mutual Funds?
* Open-ended mutual funds are investment vehicles that allow investors to buy and sell shares at the current net asset value (NAV), which is determined daily.
* These funds are highly liquid and can be easily valued, making them a sound investment option for pension funds.
Why Are They Suitable for Pension Funds?
* Pension funds require investments that are easily valued, transparent, and provide liquidity to meet benefit obligations. Open-ended mutual funds meet all these criteria.
Why Other Options Are Incorrect:
* B. Reverse repurchase agreements:While they can be part of investment strategies, they are not easily valued compared to open-ended mutual funds.
* C. Derivative instruments:Derivatives can be complex and difficult to value, making them less suitable for pension funds that prioritize transparency and simplicity.
* D. Internal investment pools:These are investment vehicles used by governments, but their valuation may not be as straightforward or frequent as mutual funds.
References and Documents:
* GAO Guide to Investment Management for Pension Funds:Recommends transparent, easily valued investments like mutual funds.
* AICPA Pension Plan Audit Guidelines:Emphasizes liquidity and valuation in pension fund investments.

NEW QUESTION: 6
Cloud computing includes which of the following services?
A. satellite-to-satellite
B. hosted
C. gateway transmission

D. mainframe computing
Answer: B (LEAVE A REPLY)
* Definition of Cloud Computing:
* Cloud computing refers to the delivery of computing services (e.g., servers, storage, databases, networking, software) over the internet.
* A common feature of cloud computing is the "hosted" service model, where applications, storage, or infrastructure are hosted and managed by a cloud service provider.
* Explanation of Answer Choices:
* A. Satellite-to-satellite: This involves communication between satellites, unrelated to cloud computing.
* B. Hosted: Correct. Hosted services are a fundamental aspect of cloud computing, where applications or data are stored and accessed on remote servers.
* C. Gateway transmission: Refers to communication gateways, unrelated to cloud computing services.
* D. Mainframe computing: Mainframes are large on-premises computers, not part of the cloud model.
:
National Institute of Standards and Technology (NIST),Cloud Computing Reference Architecture.
Federal Risk and Authorization Management Program (FedRAMP),Cloud Service Providers Guidance.

NEW QUESTION: 7
Efficient inventory management will result in
A. a low inventory turnover ratio.
B. high write-offs of obsolete inventory.
C. fewer instances of work stoppage.
D. high total asset turnover.
Answer: C (LEAVE A REPLY)
What Is Efficient Inventory Management?
* Efficient inventory management ensures that an organization has the right amount of inventory at the right time to meet operational needs without overstocking or understocking.
* Proper inventory management minimizes disruptions to operations, including work stoppages due to lack of necessary materials or supplies.
Why Is Fewer Instances of Work Stoppage the Correct Answer?
* Efficient inventory management ensures that required inventory is available when needed, reducing the risk of work delays or stoppages caused by inventory shortages.
Why Other Options Are Incorrect:
* A. A low inventory turnover ratio:A low turnover ratio often indicates overstocking or slow-moving inventory, which is not a sign of efficiency.

* B. High write-offs of obsolete inventory:Efficient management reduces obsolete inventory, leading to fewer write-offs, not more.
* D. High total asset turnover:While efficient inventory management may contribute to overall asset efficiency, it does not directly result in a high total asset turnover ratio.
References and Documents:
* GAO Guide on Inventory Management:Emphasizes the role of inventory management in avoiding operational disruptions.
* Best Practices for Inventory Management (AGA):Highlights reduced work stoppages as a key benefit of effective inventory control.

NEW QUESTION: 8
What is the basis for determining materiality for financial audits?
A. The auditee determines what is material based on their understanding of how the financial statements may be used by third parties.
B. The auditor establishes materiality based on whether a misstatement would influence the judgement made by a reasonable user of the financial statements.
C. The entity's main provider of resources typically sets materiality levels for financial reporting.
D. The auditor sets a standard percentage for all entities by transaction class.
Answer: B (LEAVE A REPLY)
* Definition of Materiality:
* In financial audits, materiality is the threshold above which a misstatement or omission could influence the economic decisions of users of financial statements.
* Auditors consider theneeds of reasonable userswhen determining materiality, focusing on what would influence their decision-making.
* Explanation of Answer Choices:
* A. The auditee determines what is material: Incorrect. The auditor, not the auditee, is responsible for determining materiality.
* B. The auditor establishes materiality based on whether a misstatement would influence the judgment made by a reasonable user of the financial statements: Correct. This aligns with auditing standards, such as those in the Yellow Book and AICPA guidance.
* C. The entity's main provider of resources typically sets materiality levels: Incorrect. Materiality is not determined by resource providers but by the auditor based on the needs of users.
* D. The auditor sets a standard percentage for all entities by transaction class: Incorrect. Materiality varies depending on the entity and its financial circumstances.
:
GAO,Government Auditing Standards (Yellow Book).
AICPA,Auditing Standards - Materiality in Planning and Performing an Audit.

NEW QUESTION: 9

Simplified acquisition processes assist an agency by
A. maintaining the competitive bid requirement and allowing credit card purchases.
B. providing access to bulk purchase discounts and reducing administrative costs.
C. increasing the number of requisitions processed.
D. reducing acquisition staff and managerial oversight.
Answer: (SHOW ANSWER)
What Are Simplified Acquisition Processes?
Simplified acquisition processes are procurement methods designed to streamline purchasing for government agencies. These processes reduce the administrative burden for smaller purchases, typically below a certain dollar threshold (as defined in theFederal Acquisition Regulation (FAR)).
How Do These Processes Assist Agencies?
* Bulk Purchase Discounts:Simplified acquisition allows agencies to leverage economies of scale and negotiate bulk purchase discounts for commonly used goods and services.
* Reduced Administrative Costs:By simplifying documentation, reducing oversight requirements, and accelerating the approval process, these methods lower administrative costs and increase efficiency.
Why Other Options Are Incorrect:
* A. Maintaining the competitive bid requirement and allowing credit card purchases:While simplified acquisitions may allow credit card purchases, the focus is not maintaining competitive bids but reducing costs and streamlining the process.
* C. Increasing the number of requisitions processed:The goal is efficiency, not increasing the volume of requisitions.
* D. Reducing acquisition staff and managerial oversight:These processes may simplify oversight but do not aim to reduce staff; instead, they help existing staff work more efficiently.
References and Documents:
* Federal Acquisition Regulation (FAR) Part 13:Covers simplified acquisition processes and their intended benefits.
* GAO Reports on Federal Procurement (2020):Highlights the cost savings and efficiencies gained through simplified acquisition methods.

NEW QUESTION: 10
Performance measures that report the results of providing goods or services are known as
A. activity measures.
B. outcome measures.
C. output measures.
D. workload measures.
Answer: C (LEAVE A REPLY)
* Definition of Output Measures:

* Output measures trackthe results of providing goods or services, such as the number of items produced or services delivered.
* These measures focus onquantityrather than quality or outcomes.
* Explanation of Answer Choices:
* A. Activity measures: Incorrect. Activity measures refer to inputs or processes, not results.
* B. Outcome measures: Incorrect. Outcome measures assess the impact or effectiveness of a program, not the quantity of goods/services provided.
* C. Output measures: Correct. Output measures focus on results (e.g., number of services delivered).
* D. Workload measures: Incorrect. Workload measures assess the volume of work performed but do not necessarily report on the results.
:
GASB,Performance Measurement Concepts.
GAO,Performance Auditing Standards and Guidance.

NEW QUESTION: 11
An agency benefit program allows employees who commute by public transit up to 10 free taxi trips home per calendar year. Employees can use the program for personal or family health emergencies. The most appropriate method to check for abuse of this program is
A. using program data to look for instances of individuals using the service more than 10 times per year.
B. using geographic information system data to determine if the destination addresses were hospitals or clinics.
C. using personal data to determine if the destination address matches the employees home address.
D. requesting records from a random sample of employees to verify they used transit on the day they used the taxi services.
Answer: (SHOW ANSWER)
Why Verify Transit Use Before Taxi Use?
* The program is intended for employees who commute by public transit. Verifying transit use on the day the taxi service was used ensures employees are adhering to program rules.
* Random sampling is cost-effective and practical for identifying abuse without needing to review all records.
Why Other Options Are Incorrect:
* A. Looking for individuals using the service more than 10 times:This only identifies overuse but does not confirm whether program rules were followed.
* B. Checking destination addresses for hospitals/clinics:This assumes all emergencies involve medical visits, which is not always the case.

* C. Matching destination addresses to home addresses:This does not confirm transit use and may not identify abuse of the program.
References and Documents:
* GAO Fraud Prevention Guide:Recommends using random sampling to check compliance with program rules.
* Best Practices for Internal Controls in Benefit Programs:Emphasizes verifying eligibility and usage to detect potential abuse.

NEW QUESTION: 12
The Federal Credit Reform Act requires complex calculations, which are likely to include errors. This is an example of
A. audit risk.
B. control risk.
C. detection risk.
D. inherent risk.
Answer: (SHOW ANSWER)
Definition of Inherent Risk:
Inherent risk refers to the risk of material misstatement in financial statements or other reports due to the nature of the subject matter, without considering any controls in place. It arises from the complexity, judgment, or uncertainty involved in the underlying transactions or calculations.
Why This Is Inherent Risk:
* TheFederal Credit Reform Actrequires complex calculations to estimate loan subsidies, interest rates, and cash flows. These calculations inherently involve significant judgment and estimation, making them prone to errors. This is a classic example of inherent risk because the complexity exists regardless of controls.
Why Other Options Are Incorrect:
* A. Audit Risk:This refers to the overall risk that the auditor may issue an incorrect opinion. In this case, the issue is about the inherent complexity of the calculations, not the auditor's procedures.
* B. Control Risk:This is the risk that errors will not be prevented or detected due to weak internal controls. While control risk could contribute to misstatements, it is not the primary issue in this example.
* C. Detection Risk:This is the risk that auditors will not detect a misstatement. This risk relates to audit procedures, not the inherent complexity of the calculations.
References and Documents:
* GAO Yellow Book on Risk Assessment:Explains inherent risk in the context of government financial reporting.
* AICPA Standards on Audit Risk (AU-C 315):Highlights inherent risk as arising from the nature of transactions or subject matter.

NEW QUESTION: 13
As a way to ensure fiduciary responsiblity, a government entity should include which of the following in its investment policy?
A. prices and performance of its investment securities
B. permissible and non-permissible investment securities
C. historical allocations of investment securities
D. key and non-key investment security controls
Answer: B (LEAVE A REPLY)
Why Include Permissible and Non-Permissible Investment Securities?
* Aninvestment policyoutlines the guidelines and restrictions for managing an entity's investments, ensuring compliance with laws and protecting public funds.
* Listingpermissible(e.g., government bonds, treasury securities) andnon-permissibleinvestments ensures clarity about what the entity can and cannot invest in, helping to mitigate risk and maintain fiduciary responsibility.
Why Other Options Are Incorrect:
* A. Prices and performance of investment securities:This information is important for monitoring investments but does not belong in the policy itself.
* C. Historical allocations of investment securities:Historical data informs decision-making but is not relevant to the rules governing investments.
* D. Key and non-key investment security controls:While controls are critical, they are part of the implementation process, not the investment policy.
References and Documents:
* GAO Investment Policy Guidelines:Recommends specifying permissible investments to ensure fiduciary responsibility.
* GFOA Best Practices in Investment Management:Emphasizes clear investment guidelines in the policy.

NEW QUESTION: 14
The Federal Credit Reform Act of 1990 prescribes a special budget treatment for direct loans and loan guarantees that measures cash flows to and from the government using which financial analytical technique?
A. future value
B. net present value
C. current value
D. regression analysis
Answer: B (LEAVE A REPLY)
* Federal Credit Reform Act of 1990:This Act established a new accounting framework for federal credit programs, such as direct loans and loan guarantees. It requires using thenet present value (NPV) method to measure the costs of loans and guarantees by discounting future cash flows (e.g., loan repayments, defaults) to their present value.
* Explanation of Financial Analytical Technique:

* Net Present Value (NPV): Accounts for the time value of money by discounting future cash flows to the present. It provides an accurate measure of the economic cost to the government.
* Other options:
* A. Future value: Focuses on future cash flows, not their present cost.
* C. Current value: Not a recognized technique for analyzing long-term cash flows.
* D. Regression analysis: A statistical method, unrelated to calculating loan program costs.

:

Federal Credit Reform Act of 1990, Section 502.
Congressional Budget Office (CBO),Federal Credit Program Cost Analysis.
Office of Management and Budget (OMB),Circular A-11: Credit Reform Accounting.

NEW QUESTION: 15

Which of the following is a forensic technique used to quantify the impact of fraud?

A. test of controls
B. computer-assisted audit techniques
C. data integrity
D. benchmarking

Answer: B (LEAVE A REPLY)

What Are Computer-Assisted Audit Techniques (CAATs)?
* CAATsare specialized tools used in forensic accounting and auditing to analyze large volumes of data for patterns, anomalies, and irregularities that may indicate fraud.
* These techniques help quantify the impact of fraud by identifying discrepancies, overpayments, or unaccounted transactions.

Why Are CAATs Used for Quantifying Fraud?
* CAATs can efficiently analyze transactional data, calculate losses, and determine the extent of financial damage caused by fraud.
* Examples include using software to detect duplicate payments, inflated invoices, or unauthorized transactions.

Why Other Options Are Incorrect:
* A. Test of controls:Tests of controls evaluate the effectiveness of internal controls but do not quantify the impact of fraud.
* C. Data integrity:Ensuring data integrity is important, but it does not specifically address quantifying fraud.
* D. Benchmarking:Benchmarking compares performance metrics but does not analyze or quantify fraud.

References and Documents:
* GAO Fraud Prevention Framework:Highlights the use of CAATs in forensic accounting.
* AICPA Forensic Accounting Guidelines:Recommends CAATs for fraud detection and quantification.

NEW QUESTION: 16
In relation to financial reporting, who evaluates internal controls to support an opinion on a fair presentation of the financial statements?
A. management
B. the independent auditor
C. the program office
D. the audit committee
Answer: B (LEAVE A REPLY)
Role of the Independent Auditor in Financial Reporting:
* Independent auditors evaluate internal controls as part of their audit procedures to support an opinion on the fair presentation of the financial statements. This includes assessing whether internal controls over financial reporting are designed and operating effectively.
* This evaluation helps ensure that financial statements are free of material misstatements, whether due to error or fraud.
Why Management Does Not Do This:
* Managementdesigns and implements internal controls but does not evaluate them to support the auditor's opinion. Management's responsibility is to certify the accuracy of the financial statements, while the auditor provides an independent opinion.
Why Other Options Are Incorrect:
* C. The program office:This entity oversees operations but does not perform evaluations to support an audit opinion.
* D. The audit committee:The committee provides oversight of the audit process but does not perform the evaluation itself.
References and Documents:
* GAAS (Generally Accepted Auditing Standards):Outlines the responsibilities of independent auditors regarding internal control evaluation.
* GAO Yellow Book:Specifies the role of external auditors in evaluating internal controls during financial audits.

NEW QUESTION: 17

In addition to the Yellow Book, which group's external audit standards can the GAO reference?
A. Public Company Accounting Oversight Board
B. International Auditing and Assurance Standards Board.
C. International Organization of Supreme Audit Institutions
D. AICPA
Answer: C (LEAVE A REPLY)
* GAO and External Audit Standards:The Government Accountability Office (GAO) uses the Yellow Book as its primary standard. However, it may also reference external standards from recognized international and professional auditing organizations. INTOSAI is specifically mentioned in the Yellow Book as a source of additional standards for governmental audits.
* Explanation of Answer Choices:
* A. Public Company Accounting Oversight Board (PCAOB): This regulates audits of publicly traded companies, not government entities.
* B. International Auditing and Assurance Standards Board (IAASB): This focuses on global private-sector audits, not specifically government-related.
* C. International Organization of Supreme Audit Institutions (INTOSAI): Correct. INTOSAI sets audit standards for public-sector auditors worldwide and is relevant for the GAO.
* D. AICPA: While the AICPA sets standards for U.S. auditors, INTOSAI is more relevant for international public-sector audits.
:
GAO,Government Auditing Standards (Yellow Book).
INTOSAI,Framework of Professional Standards for Supreme Audit Institutions.

NEW QUESTION: 18
Auditors may limit their public reporting in attestation engagements when the
A. auditors detect material fraud.
B. audit report would compromise ongoing legal proceedings.
C. auditor detects non-compliance with provisions of law.
D. entity management fails to satisfy legal requirements.
Answer: B (LEAVE A REPLY)
* Limiting Public Reporting in Attestation Engagements:
* Government auditing standards allow auditors to limit public reporting in rare cases, such as when disclosing certain information could compromise sensitive or ongoing legal proceedings.
* The goal is to protect the integrity of investigations or legal actions while maintaining transparency where possible.
* Explanation of Answer Choices:
* A. Auditors detect material fraud: Auditors are required to report material fraud to appropriate authorities, not limit reporting unless legal proceedings are affected.

* B. Audit report would compromise ongoing legal proceedings: Correct. This is a valid reason to limit public reporting under auditing standards.
* C. Auditor detects non-compliance with provisions of law: Non-compliance must be disclosed unless legal considerations warrant confidentiality.
* D. Entity management fails to satisfy legal requirements: This would typically be reported, not withheld.
:
GAO,Government Auditing Standards (Yellow Book).
AICPA,Attestation Standards and Public Reporting Guidance.

NEW QUESTION: 19
The goal of shared gervices is to
A. reduce current staffing levels.
B. transfer responsibilities to another entity.
C. efficiently aggregate resources.
D. provide private business opportunities.
Answer: C (LEAVE A REPLY)
* Understanding Shared Services:Shared services involve consolidating and centralizing resources, personnel, or processes to achieve efficiency and cost savings. This is common in government organizations looking to optimize operations.
* Explanation of Answer Choices:
* A. Reduce current staffing levels: While staff reductions may occur as a result, this is not the primary goal.
* B. Transfer responsibilities to another entity: This describes outsourcing, not shared services.
* C. Efficiently aggregate resources: Correct, as shared services aim to centralize resources for improved efficiency.
* D. Provide private business opportunities: This is unrelated to shared services, which focus on internal government operations.
:
Association of Government Accountants (AGA),Shared Services in Government.

NEW QUESTION: 20
To support optimal cash management vendor payment procedures, invoices with discount terms should be paid
A. prior to the due date to improve credit rating.
B. on the due date, unless a charge is assessed for late payment.
C. on the discount date.
D. after the due date to increase cash flow.
Answer: (SHOW ANSWER)

NEW QUESTION: 21

An evaluation of anggntity's single year financial statements would use which of the following analyses?

A. comparative

B. horizontal

C. trend

D. vertical

Answer: D (LEAVE A REPLY)

What Is Vertical Analysis?

* Vertical Analysisevaluates a single year's financial statements by expressing each line item as a percentage of a base amount. For example, in an income statement, each expense may be presented as a percentage of total revenue.

* This approach helps users understand the relative size of each financial statement item within the context of the total.

Why Is Vertical Analysis Used for a Single Year?

* Vertical analysis focuses solely on relationships within a single set of financial statements, making it the appropriate choice for single-year evaluations.

Why Other Options Are Incorrect:

* A. Comparative:Involves comparing financial data across entities or periods, not within a single year.

* B. Horizontal:Focuses on changes in financial data over time (year-to-year comparisons).

* C. Trend:Examines patterns over multiple periods to identify long-term trends, not a single year.

References and Documents:

* GAO Financial Audit Manual:Recommends vertical analysis for single-year financial statement evaluations.

* AICPA Financial Statement Analysis Guide:Provides detailed examples of vertical analysis techniques.

NEW QUESTION: 22

A key objective of a performance audit is

A. providing an opinion on the entity's financial statement.

B. assessing program effectiveness, economy and efficiency.

C. providing an opinion on a subject matter that is the responsibility of another party.

D. issuing a report of findings based upon an agreed-upon procedure.

Answer: (SHOW ANSWER)

* Performance Audit Objectives:

* Performance audits evaluate theeffectiveness,efficiency, andeconomyof government programs, operations, or activities.

* These audits focus on improving operations, achieving program goals, and ensuring responsible use of public resources.

* Explanation of Answer Choices:
* A. Providing an opinion on the entity's financial statement: This is the objective of a financial statement audit, not a performance audit.
* B. Assessing program effectiveness, economy, and efficiency: Correct. This is the primary objective of performance audits.
* C. Providing an opinion on a subject matter that is the responsibility of another party: This aligns with attestation engagements, not performance audits.
* D. Issuing a report of findings based upon an agreed-upon procedure: This describes agreed- upon procedures engagements, not performance audits.
:
GAO,Government Auditing Standards (Yellow Book).
Association of Government Accountants (AGA),Performance Auditing Guidance.

NEW QUESTION: 23
According to OMB Circular A-11, what analytical method should be used to measure the cost, schedule and performance goals of a capital asset acquisition project?
A. earned value management
B. net present value
C. future value
D. regression analysis
Answer: (SHOW ANSWER)
* OMB Circular A-11 and Capital Asset Acquisition:
* OMB Circular A-11 mandates the use ofearned value management (EVM)for measuring cost, schedule, and performance goals in capital asset acquisition projects.
* EVM integrates project scope, schedule, and cost data to assess project performance and forecast outcomes.
* Explanation of Answer Choices:
* A. Earned value management: Correct. EVM is the prescribed method for tracking progress on capital projects under OMB Circular A-11.
* B. Net present value: Used for financial analysis, such as determining the economic value of future cash flows, but not for tracking project progress.
* C. Future value: Measures the value of an investment at a future point, not applicable to project tracking.
* D. Regression analysis: A statistical method for identifying relationships between variables, not for measuring project performance.
:
OMB Circular A-11,Capital Programming Guide.
U).S. General Services Administration (GSA),Earned Value Management Implementation.

NEW QUESTION: 24
Under the control environment component of internal control, management should

A. demonstrate a commitment to integrity and ethical values.
B. implement control activities through policies.
C. communicate quality information to achieve the entity's objectives.
D. establish and operate activities to monitor the internal control system.
Answer: A (LEAVE A REPLY)
* Control Environment Component:
* The control environment is the foundation of an internal control system, setting the tone at the top.
* Demonstrating integrity and ethical values is the first principle of the control environment, as outlined in theCOSO Internal Control Framework.
* Explanation of Answer Choices:
* A. Demonstrate a commitment to integrity and ethical values: Correct. This is a foundational principle of the control environment.
* B. Implement control activities through policies: This relates to the "Control Activities" component, not the control environment.
* C. Communicate quality information to achieve the entity's objectives: This relates to the "Information and Communication" component.
* D. Establish and operate activities to monitor the internal control system: This relates to the
the
"Monitoring Activities" component.
:
COSO,Internal Control - Integrated Framework.
GAO,Standards for Internal Control in the Federal Government (Green Book).

NEW QUESTION: 25
The best source for annual liability and cash flow data is a state's
A. PAR.
B. ACFR.
C. appropriations bill.
D. statement of activities.
Answer: B (LEAVE A REPLY)
* Annual Comprehensive Financial Report (ACFR):
* TheACFR(formerly CAFR) is the primary source for a state's annual financial information, including liability and cash flow data.
* It provides comprehensive financial statements, including the balance sheet, statement of activities, and cash flow statements.
* Explanation of Answer Choices:
* A. PAR: ThePerformance and Accountability Report (PAR)focuses on federal agencies and includes performance goals and achievements but lacks detailed liability and cash flow data for states.

* B. ACFR: Correct. The ACFR is the best source for detailed liability and cash flow data at the state level.
* C. Appropriations bill: Provides legislative authority for spending but does not include detailed financial data.
* D. Statement of activities: This is part of the ACFR but does not include all necessary cash flow or liability data.
:
Government Finance Officers Association (GFOA),Best Practices for ACFR Reporting.
GASB,Annual Comprehensive Financial Report Guidance.

NEW QUESTION: 26
Government performance measurement promotes
A. responsibility.
B. profitability.
C. accountability.
D. cash availability.
Answer: C (LEAVE A REPLY)
What Is Government Performance Measurement?
Government performance measurement is the process of setting goals, tracking progress, and evaluating outcomes for government programs and services. This system ensures that public funds are used effectively and that programs achieve intended results.
How Does It Promote Accountability?
* Accountability is the primary goal of performance measurement. It holds government officials and agencies responsible for managing public resources efficiently and achieving measurable outcomes.
* By measuring performance, governments can transparently demonstrate how resources are being used and whether programs are meeting their objectives.
Why Other Options Are Incorrect:
* A. Responsibility:While responsibility is important, it refers more to the assignment of duties, not the system of holding entities accountable.
* B. Profitability:Governments are not profit-driven organizations; their focus is on service delivery, not profits.
* D. Cash Availability:Performance measurement focuses on outcomes, not managing cash flows.
References and Documents:
* Government Performance and Results Act (GPRA):Promotes accountability through performance measurement and reporting.
* GAO Report on Performance Accountability:Emphasizes the role of performance measurement in achieving government accountability.

NEW QUESTION: 27

What might be a cost-effective solution for a local public school to reduce increasing special education costs without violating federal maintenance of effort requirements?
A. Shift a portion of the costs in the form of a fee to parents.
B. Decrease budget allocation for special education services.
C. Develop a shared services agreement with surrounding districts.
D. Outsource special needs services to a private contractor.
Answer: C (LEAVE A REPLY)
Why Shared Services Agreements Are Cost-Effective:
* A shared services agreement allows multiple school districts to pool resources and share the costs of special education services, such as specialized staff, transportation, or facilities.
* This reduces duplication of services, increases efficiency, and helps lower costs without reducing the quality of education provided.
Why Federal Maintenance of Effort (MOE) Requirements Matter:
* Under federal law, schools must maintain a certain level of funding for special education services to receive federal grants. Cutting budgets or shifting costs directly to parents would likely violate MOE requirements.
Why Other Options Are Incorrect:
* A. Shift a portion of the costs in the form of a fee to parents:This violates federal regulations, as public schools cannot charge parents for special education services.
* B. Decrease budget allocation for special education services:This would also violate MOE requirements and reduce services for students with special needs.
* D. Outsource special needs services to a private contractor:While outsourcing can be an option, it may not always reduce costs and could introduce additional risks (e.g., quality concerns or compliance issues).
References and Documents:
* Individuals with Disabilities Education Act (IDEA):Mandates federal MOE requirements for special education funding.
* GAO Report on Shared Services in Education:Highlights cost-saving benefits of shared services agreements.

NEW QUESTION: 28
Pay.gov is an example of
A. a zero-balance account.
B. a concentration system.
C. an electronic lockbox.
D. a data warehouse system.
Answer: C (LEAVE A REPLY)
What Is Pay.gov?

* Pay.govis anelectronic lockbox systemmanaged by the U.S. Department of the Treasury. It allows federal agencies to collect payments electronically, improving efficiency and reducing the time and cost associated with manual payment processing.
* It supports online payments for taxes, fees, and other government-related obligations.
Why Is It an Electronic Lockbox?
* Pay.gov consolidates and processes payments on behalf of federal agencies, similar to how a lockbox service processes payments for private businesses.
Why Other Options Are Incorrect:
* A. Zero-balance account:This refers to a type of bank account that maintains a balance of zero by automatically transferring funds as needed, unrelated to Pay.gov's purpose.
* B. Concentration system:Refers to pooling funds from multiple accounts into one central account, not payment processing.
* D. Data warehouse system:A data warehouse stores and organizes large amounts of data for analysis, unrelated to payment collection.
References and Documents:
* U.S. Treasury Pay.gov Website:Describes Pay.gov as an electronic lockbox for federal payment processing.
* GAO Financial Management Systems Guide:Highlights the role of electronic lockboxes like Pay.gov in improving efficiency.

NEW QUESTION: 29
A local government is reviewing the performance of a contractor that is collecting trash for the county.
Performance can be measured based upon the cost
A. per mile travelled.
B. per ton of trash collected.
C. comparison with closest comparable jurisdiction.
D. per employee.
Answer: B (LEAVE A REPLY)
Why Measure Performance Based on Cost per Ton of Trash Collected?
* Costper ton of trash collectedis a direct, objective, and quantifiable measure of the contractor's performance. It reflects how efficiently the contractor is operating relative to the amount of trash being managed.
* This measure aligns with the principle of output-based performance evaluation, which focuses on results (e.g., tons of trash collected) rather than inputs or unrelated factors.
Why Other Options Are Incorrect:
* A. Per mile traveled:Mileage is not directly tied to performance; it depends on the route structure and geography, not the quantity of trash collected.
* C. Comparison with closest comparable jurisdiction:While this may provide context, it is not a specific performance measure.

* D. Per employee:Employee count does not directly measure performance or efficiency in trash collection operations.
References and Documents:
* GAO Guide on Contract Performance Evaluation:Recommends using measurable and outcome- based metrics like cost per ton collected for performance reviews.
* Best Practices in Local Government Contracting (AGA):Highlights output-based measures for evaluating contractor performance.

NEW QUESTION: 30
An employee is set to receive a lumpsum payment of $500,000 in ten years. The agency uses an opportunity rate of 12% for its investments. If inflation is 3%, how much must the agency invest today to cover the future lumpsum payment?
A. $160,986
B. $186,023
C. $440,000
D. $485,000
Answer: A (LEAVE A REPLY)
What Are We Solving For?
* We are determining the present value (PV) of a $500,000 lump sum payment to be received in 10 years, using anopportunity rate of 12%. Inflation is not relevant here because the opportunity rate already reflects the expected return, including inflation adjustments.
Formula for Present Value:
The present value (PV) is calculated using the formula:
PV=FV(1+r)nPV = \frac{FV}{(1 + r)^n}PV=(1+r)nFV
Where:
* FVFVFV = Future Value = $500,000
* rrr = Opportunity rate = 12% or 0.12
* nnn = Number of years = 10
Calculation:
PV=500,000(1+0.12)10PV = \frac{500,000}{(1 + 0.12)^{10}}PV=(1+0.12)10500,000
PV=500,000(1.12)
10PV = \frac{500,000}{(1.12)^{10}}PV=(1.12)10500,000 PV=500,0003.10585PV = \frac{500,000}
{3.10585}PV=3.10585500,000 PV#160,986PV # 160,986PV#160,986
Why Inflation Is Not Included:
* The opportunity rate already incorporates the expected inflation. Using it ensures the PV reflects the real purchasing power of the future lump sum payment.
Why Other Options Are Incorrect:
* B. $186,023, C. $440,000, D. $485,000:These values result from incorrect calculations or the misuse of inflation in the formula.

References and Documents:
* GAO Financial Analysis Guide:Recommends using present value calculations with opportunity rates for investment decision-making.
* AICPA Financial Management Guide:Provides detailed examples of calculating present value for lump sum payments.

NEW QUESTION: 31
Performance measures that relate program inputs to program outcomes are called
A. efficiency measures.
B. process measures.
C. cost-effectiveness measures.
D. activity measures.
Answer: C (LEAVE A REPLY)
* Definition of Cost-Effectiveness Measures:
* Cost-effectiveness measures assess therelationship between inputs (resources used)and outcomes (results achieved)to determine whether a program delivers value for the resources invested.
* Explanation of Answer Choices:
* A. Efficiency measures: Incorrect. These relate inputs to outputs, focusing on how efficiently resources are used to produce services, but not directly tied to outcomes.
* B. Process measures: Incorrect. These measure activities or steps within a program but do not assess outcomes.
* C. Cost-effectiveness measures: Correct. These directly link inputs to outcomes, measuring the program's effectiveness in achieving its objectives relative to costs.
* D. Activity measures: Incorrect. These track the level of activity or effort but not outcomes or effectiveness.
:
GASB,Performance Measurement and Reporting for Government Programs.
GAO,Best Practices in Measuring Program Effectiveness.

NEW QUESTION: 32

A state agency has begun a pilot program with a community action agency for a community-based approach to provide services to underserved areas. A review after the first year compared the number of families served by both agencies and identified efficiencies reached by having community involvement. What type of engagement was used to review the pilot program?

A. financial audit

B. single audit

C. performance audit

D. attestation

Answer: C (LEAVE A REPLY)

* Type of Engagement for Reviewing Pilot Programs:
* A performance audit evaluates theeffectiveness, efficiency, and economyof programs or operations.
* In this case, the review of the pilot program assessed the number of families served and the efficiencies achieved through community involvement, which aligns with performance auditing objectives.
* Explanation of Answer Choices:
* A. Financial audit: Focuses on the accuracy of financial statements, not program effectiveness or efficiency.
* B. Single audit: Focuses on compliance with federal grant requirements, not program evaluation.
* C. Performance audit: Correct. This type of audit reviews program outcomes and operational efficiencies.
* D. Attestation: Provides assurance on specific subject matter but does not evaluate program performance.

:

GAO,Government Auditing Standards (Yellow Book).

Association of Government Accountants (AGA),Performance Auditing Best Practices.

NEW QUESTION: 33

The Parking Fund for a government entity has the following information in its Statement of Net Position.

Calculate the current ratio.

Total current assets$1,320

Total non-current assets$8,100

Total assets$9,420

Total current liabilities$ 810

Total non-current liabilities$ 360

Total liabilities$1,170

Total net position$8,250

A. 0.61

B. 0.98
C. 1.14
D. 1.63
Answer: D (LEAVE A REPLY)
What Is the Current Ratio?
* Thecurrent ratiomeasures an entity's ability to cover its short-term liabilities with its short-term assets.
The formula is: Current Ratio=Total Current AssetsTotal Current Liabilities\text{Current Ratio} = \frac
{\text{Total Current Assets}}{\text{Total Current Liabilities}}
Current Ratio=Total Current LiabilitiesTotal Current Assets
Calculation:
* Total Current Assets = $1,320
* Total Current Liabilities = $810
Current Ratio=1,320810\text{Current Ratio} = \frac{1,320}{810}Current Ratio=8101,320
Current Ratio#1.
63\text{Current Ratio} # 1.63Current Ratio#1.63
Why the Current Ratio Matters:
* A current ratio above 1 indicates that the entity has more current assets than current liabilities, suggesting good short-term liquidity.
Why Other Options Are Incorrect:
* A. 0.61, B. 0.98, C. 1.14:These values result from incorrect calculations or misinterpretations of the formula.
References and Documents:
* GAO Financial Analysis Guide:Provides guidance on using the current ratio to assess liquidity.
* GASB Financial Reporting Requirements:Highlights the importance of liquidity measures in government financial statements.

NEW QUESTION: 34
A program manager at a local agency needs to understand if program participation varies significantly from enrollment. The information changes daily. The best way to quickly analyze this would be to use
A. crosstab.
B. portable document format.
C. text file.
D. dashboard.
Answer: D (LEAVE A REPLY)
* Analyzing Participation and Enrollment Trends:
* Dashboards are tools that provide real-time visualizations of data, making them ideal for quickly analyzing trends such as program participation versus enrollment.

* They allow program managers to view up-to-date metrics and identify variances without manual data processing.
* Explanation of Answer Choices:
* A. Crosstab: While useful for comparing categorical data, crosstabs are static and less effective for real-time analysis.
* B. Portable document format (PDF): A PDF is a static file format, unsuitable for dynamic data analysis.
* C. Text file: Text files provide raw data but require additional processing, making them inefficient for quick analysis.
* D. Dashboard: Correct. Dashboards provide dynamic, real-time analytics, perfect for monitoring daily changes in participation and enrollment.
:
Association of Government Accountants (AGA),Data Visualization in Public Sector Management.
Government Performance Lab,Using Dashboards for Real-Time Program Management.

NEW QUESTION: 35
A performance measurement that is measured the same way over several periods is
A. timely.
B. relevant.
C. reliable.
D. consistent.
Answer: A (LEAVE A REPLY)
What Is Consistency in Performance Measurement?
Aconsistentperformance measure is one that is calculated and reported in the same way over several periods. Consistency allows for meaningful comparisons and trend analysis, making it easier to evaluate performance over time.
Why Consistency Is the Correct answer:
Performance metrics must remain consistent in methodology, definitions, and scope to ensure the results are comparable across time periods. Without consistency, the reliability and usefulness of the data are diminished.
Why Other Options Are Incorrect:
B). Timely:Timeliness refers to how quickly the information is reported, not whether it is measured consistently.
C). Relevant:Relevance ensures the measure is meaningful to the decision-making process, but it does not address consistency.
D). Reliable:Reliability refers to the accuracy and trustworthiness of the data, not its consistency over time.
References and Documents:
GAO Performance Measurement Guide:Stresses the importance of consistency in tracking and reporting metrics over time.

NEW QUESTION: 36
Earned value management is preferred over traditional project management because
A. earned value management is used to monitor progress and deliverables of smaller projects.
B. earned value management provides information about status of deliverables, funds and time expended.
C. traditional project management is used to monitor progress and deliverables of larger projects.
D. traditional project management provides information about status of deliverables, funds and time expended.
Answer: B (LEAVE A REPLY)
What Is Earned Value Management (EVM)?
* EVMis a project management methodology that integrates scope, cost, and schedule to measure project performance. It provides a comprehensive view of progress by combining information about deliverables (work completed), funds (budget spent), and time (schedule adherence).
Why Is EVM Preferred Over Traditional Project Management?
* EVM offers a holistic view of project performance by quantifying progress and comparing it to planned performance, allowing for proactive decision-making.
* Traditional project management often focuses on individual aspects (e.g., timelines or budgets) without integrating them as effectively as EVM.
Why Other Options Are Incorrect:
* A. EVM monitors smaller projects:EVM is not restricted to small projects; it is widely used for complex, large-scale projects.
* C. Traditional project management is used for larger projects:This is incorrect-both methodologies can be used for projects of any size.
* D. Traditional project management provides status on deliverables, funds, and time:This is inaccurate; traditional methods often lack the integrated performance tracking provided by EVM.
References and Documents:
* GAO Guide to Project Management:Recommends EVM for comprehensive performance tracking.
* PMBOK (Project Management Body of Knowledge):Details the advantages of EVM over traditional project management.

NEW QUESTION: 37
One of the five components of COSO ERM is
A. performance.
B. changing environment.
C. complex calculations.

D. accepting risk.
Answer: A (LEAVE A REPLY)
What Is COSO ERM?
TheCOSO Enterprise Risk Management (ERM) Frameworkis a widely accepted framework that helps organizations identify, assess, and manage risks while creating value. The five components of COSO ERM are:
* Governance and Culture
* Strategy and Objective-Setting
* Performance
* Review and Revision
* Information, Communication, and Reporting
Why Is Performance a Key Component?
* ThePerformancecomponent focuses on identifying, assessing, and prioritizing risks to achieving an organization's objectives. It includes implementing risk responses (e.g., avoiding, reducing, sharing, or accepting risks) and monitoring their effectiveness.
Why Other Options Are Incorrect:
* B. Changing Environment:This is not a COSO ERM component but a general factor influencing risk management.
* C. Complex Calculations:This is not relevant to COSO ERM.
* D. Accepting Risk:While accepting risk is part of risk responses, it is not one of the five COSO ERM components.
References and Documents:
* COSO ERM Framework (2017):Details the five components of ERM and their application in managing risks.

NEW QUESTION: 38
All of the following ae among the stated purposes of GPRA EXCEPT to
A. help managers improve service delivery.
B. improve internal management practices.
C. provide instructions on program reporting.
D. improve program effectiveness.
Answer: C (LEAVE A REPLY)
What Is GPRA?
TheGovernment Performance and Results Act (GPRA)of 1993 was designed to improve the performance of federal programs by requiring federal agencies to establish goals, measure performance, and report on their progress.
Stated Purposes of GPRA:
* Improve Service Delivery (Option A):GPRA helps agencies align performance goals with customer needs, improving service delivery.
* Improve Internal Management Practices (Option B):By requiring performance metrics and evaluations, GPRA enhances internal management and decision-making processes.

* Improve Program Effectiveness (Option D):GPRA aims to make federal programs more effective by fostering accountability and linking resources to results.
Why Option C Is Incorrect:
* GPRA does not provide detailedinstructions on program reporting.While it requires agencies to report on their performance, it does not dictate the specific steps or instructions for reporting. Instead, agencies design their own reporting processes within the GPRA framework.
References and Documents:
* Government Performance and Results Act of 1993:Stipulates the law's objectives but does not mention program reporting instructions.
* GAO Report on GPRA Implementation:Highlights GPRA's purpose to improve performance management and accountability without prescribing reporting instructions.

NEW QUESTION: 39
What is the formal tam for the listing and assessment of an agency's top risks?
A. risk profile
B. risk management plan
C. risk assessment
D. risk register
Answer: (SHOW ANSWER)
What Is a Risk Profile?
Arisk profileis the formal listing and assessment of an agency's top risks. It identifies the risks that could significantly impact an organization's ability to achieve its objectives and prioritizes them based on factors like likelihood and impact.
Why Is the Risk Profile Important?
* The risk profile helps management focus on the most critical risks and allocate resources to address them effectively. It is a core element of enterprise risk management frameworks (e.g., COSO ERM).
* In the federal government,OMB Circular A-123requires agencies to maintain a risk profile as part of their internal control and risk management processes.
Why Other Options Are Incorrect:
* B. Risk Management Plan:This is broader and includes strategies for mitigating and monitoring risks, not just listing and assessing them.
* C. Risk Assessment:This is a process used to identify and evaluate risks but does not specifically refer to the formal listing of risks.
* D. Risk Register:While similar to a risk profile, a risk register typically includes more granular details, such as specific control measures, responsibilities, and timelines.
References and Documents:
* OMB Circular A-123:Requires federal agencies to develop a risk profile as part of their risk management framework.

* COSO ERM Framework (2017):Describes the risk profile as a tool for managing enterprise-wide risks.

NEW QUESTION: 40

How may a city parks and recreation director meaningfully assess the performance of the department's grounds maintenance division?

A. use a single measure of citizen satisfaction with parks and recreation

B. evaluate funds spent on grounds maintenance

C. analyze grounds maintenance staffing levels

D. compare cost per acre maintained to cost per acre maintained in another jurisdiction

Answer: D (LEAVE A REPLY)

Why Is This the Best Measure for Performance?

* Comparing thecost per acre maintainedto that of another jurisdiction provides a meaningful benchmark for performance evaluation. It allows the director to assess how efficiently the department is operating relative to similar organizations.
* This comparison ensures that the department is managing resources effectively and identifies potential areas for improvement.

Why Other Options Are Incorrect:

* A. Use a single measure of citizen satisfaction:While citizen satisfaction is important, it is subjective and does not provide insight into operational efficiency.
* B. Evaluate funds spent on grounds maintenance:Total spending does not measure efficiency or productivity; it merely reflects the amount allocated.
* C. Analyze staffing levels:Staffing levels do not directly measure performance; they are only one factor in determining efficiency.

References and Documents:

* Governmental Performance Reporting (AGA):Recommends using comparative benchmarks for evaluating efficiency in service delivery.
* Performance Management Framework by GAO:Highlights cost-effectiveness metrics such as cost per acre maintained.

NEW QUESTION: 41

Given the information below, which control would be the lowest priority?

Asset $Amount at Risk Cost of Control

A. AssetA $ 150,000 $15,000

B. Asset B $6,000 $ 2,500

C. Asset C $2,000,000 $50,000

D. Asset D $500,000 $20,000

Answer: B (LEAVE A REPLY)

How to Prioritize Controls Based on Cost and Risk:

* The priority of a control is based on its cost-effectiveness. Controls that protect assets with higher risk exposure relative to the cost of the control should be prioritized. The

formula to calculate cost- effectiveness is: Cost-Effectiveness=Cost of ControlAsset Amount at Risk\text{Cost-Effectiveness} = \frac{\text{Cost of Control}}{\text{Asset Amount at Risk}}Cost-Effectiveness=Asset Amount at RiskCost of Control
* Lower ratios indicate more cost-effective controls.
Calculations:
* Asset A:$15,000 / $150,000 = 0.10 (10%)
* Asset B:$2,500 / $6,000 = 0.42 (42%)
* Asset C:$50,000 / $2,000,000 = 0.025 (2.5%)
* Asset D:$20,000 / $500,000 = 0.04 (4%)
Lowest Priority:
* Asset Bhas the highest ratio (42%), meaning it is the least cost-effective and should be the lowest priority for controls.
References and Documents:
* COSO Internal Control Framework:Discusses cost-benefit analysis for prioritizing controls.
* GAO Risk Management Guide:Emphasizes evaluating control cost-effectiveness relative to asset risk.

NEW QUESTION: 42
Which of the following would auditors issue an opinion on?
A. performance audits
B. compliance audits
C. financial statement audits
D. forensic audits
Answer: C (LEAVE A REPLY)
* Audit Opinions:
* Auditors issue opinions onfinancial statement auditsto provide assurance about whether the financial statements are presented fairly in accordance with applicable accounting standards (e.g., GAAP).
* Other types of audits, such as performance or forensic audits, do not typically result in opinions but may provide findings or recommendations.
* Explanation of Answer Choices:
* A. Performance audits: These assess efficiency, effectiveness, or economy but do not include an opinion.
* B. Compliance audits: These assess adherence to laws or regulations and may include findings but not an opinion.
* C. Financial statement audits: Correct. These audits include an auditor's opinion on the fairness of the financial statements.
* D. Forensic audits: These focus on fraud investigation and result in findings, not an opinion.

:
AICPA,Audit Opinions on Financial Statements.
GAO,Government Auditing Standards (Yellow Book).

NEW QUESTION: 43

All of the following represent selection criteria used to make contract awards EXCEPT contractor

A. staff expertise.

B. past performance records.

C. union affiliations.

D. financial position.

Answer: C (LEAVE A REPLY)

* Selection Criteria for Contract Awards:
* When awarding contracts, federal, state, and local governments typically evaluate contractors based on objective criteria like staff expertise, past performance, and financial position to ensure the contractor can successfully fulfill the contract requirements.
* Union affiliationis irrelevant to the contractor's ability to meet the contractual obligations and is not a valid selection criterion.
* Explanation of Answer Choices:
* A. Staff expertise: Correctly used to ensure the contractor has qualified personnel.
* B. Past performance records: Correctly used to evaluate the contractor's historical success in fulfilling similar contracts.
* C. Union affiliations: Correct. This is not considered a valid selection criterion for contract awards.
* D. Financial position: Correctly used to assess the contractor's financial stability.

:
Federal Acquisition Regulation (FAR) Part 15,Contracting by Negotiation.
Office of Management and Budget (OMB) Circular A-102,Grant and Contract Management Requirements.

NEW QUESTION: 44

An agency uses pavement rating scores as a key indicator for a street maintenance program. If the legislature provided the agency with an additional $5 millionjthe new resources should be allocated based upon

A. the number of intersections.

B. historical budgeted amounts.

C. lane miles rated as acceptable by the citizens.

D. lane miles with unmet needs.

Answer: D (LEAVE A REPLY)

* Understanding Resource Allocation in Street Maintenance:When additional resources are provided for street maintenance, their allocation should address the most pressing infrastructure needs to maximize impact and public benefit.
* Key Indicator (Pavement Rating Scores):Pavement rating scores are used to evaluate the condition of roads. Areas with the lowest scores (representing unmet needs) require prioritized funding to bring the infrastructure to acceptable levels.
* Explanation of Answer Choices:
* A. Number of intersections: The number of intersections is not directly related to road conditions or pavement scores.
* B. Historical budgeted amounts: Allocating based on past budgets does not address current infrastructure conditions or unmet needs.
* C. Lane miles rated as acceptable by citizens: Roads already rated as "acceptable" do not require immediate attention.
* D. Lane miles with unmet needs: Correct, as this aligns with addressing the most critical deficiencies based on the pavement scores.

:

Government Finance Officers Association (GFOA),Best Practices in Capital Asset Management.

Federal Highway Administration (FHWA),Performance-Based Planning and Programming Guidebook.

NEW QUESTION: 45

A city decides to invest in a new piece of equipment and wants to know how long it will take to recover the amount invested by using the payback analysis technique. The city uses the following assumptions in its analysis:
* The cost of the equipment is $500,000.
* The equipment will generate $200,000 in revenue per year.
* The variable costs of operating the equipment will be $100,000 per year.
* The depreciation on the equipment will be $20,000 per year.

How long will it take the city to recover the amount invested in the new equipment?

A. Syears

B. 2 years and 6 months

C. 2 years and 9 months

D. 6 years and 3 months

Answer: (SHOW ANSWER)

NEW QUESTION: 46

Who is responsible for resolving single audit findings?

A. the awarding agency

B. the recipient agency

C. the audit committee

D. the external auditors
Answer: (SHOW ANSWER)
* Responsibilities in Resolving Single Audit Findings:
* Single audits assess compliance with federal program requirements.
* Findings often highlight deficiencies or noncompliance issues that must be resolved by the entity receiving the federal funds.
* Explanation of Answer Choices:
* A. Awarding agency: The agency provides oversight and guidance but does not directly resolve findings.
* B. Recipient agency: Correct. The entity receiving the funds is responsible for addressing and resolving findings to comply with federal regulations.
* C. Audit committee: May oversee the process but doesn't take direct responsibility for resolving findings.
* D. External auditors: Identify the findings but do not resolve them.
:
Uniform Guidance (2 CFR Part 200),Single Audit Requirements.
Association of Government Accountants (AGA),Government Auditing Standards.

NEW QUESTION: 47
Who holds primary responsibility for establishing internal controls?
A. ccountants
B. internal auditors
C. management
D. audit committee
Answer: C (LEAVE A REPLY)
* Responsibility for Internal Controls:
* Managementholds the primary responsibility for establishing, implementing, and maintaining an organization's internal control system.
* This responsibility is outlined in frameworks such as COSO'sInternal Control - Integrated Frameworkand the GAO'sGreen Book.
* Roles of Other Parties:

* A. Accountants: While accountants may assist in designing or assessing controls, they are not primarily responsible.
* B. Internal auditors: Their role is to evaluate the effectiveness of controls, not establish them.
* D. Audit committee: Provides oversight but does not implement or design controls.
:
COSO,Internal Control - Integrated Framework.
GAO,Standards for Internal Control in the Federal Government (Green Book).

NEW QUESTION: 48
For financial audits, generally accepted auditing standards require that auditors accomplish all of the following tasks EXCEPT
A. adequately plan the work.
B. make the audit report available to the public.
C. obtain sufficient appropriate audit evidence.
D. supervise any assistants.
Answer: (SHOW ANSWER)
What Do Generally Accepted Auditing Standards (GAAS) Require for Financial Audits?
GAAS outlines specific requirements for auditors conducting financial audits, including:
* Adequately Planning the Work (Option A):Proper planning ensures that audits are efficient and thorough.
* Obtaining Sufficient, Appropriate Audit Evidence (Option C):This is critical to support the auditor' s opinion on the financial statements.
* Supervising Assistants (Option D):Supervising any audit staff ensures that work is performed in accordance with standards.
What Does GAAS Not Require?
* GAAS does not specifically require auditors to make the audit report available to the public (Option B).
While making reports available to the public may be required by other laws, regulations, or organizational policies, it is not a standard requirement under GAAS. The decision to make the report public often lies with the audited entity or governing bodies.
References and Documents:
* AICPA Statements on Auditing Standards (SAS):The foundational standards that define GAAS requirements.
* GAGAS (Yellow Book):While GAGAS may have additional reporting requirements, it does not mandate public access to the audit report unless stipulated by law.

NEW QUESTION: 49
An analyst has identified several variables that may be impacting state lottery ticket sales, including investments in advertising, potential pay-out amounts and the size of lottery

cards. Which of the following techniques would help determine the extent to which each variable is impacting sales?
A. content analysis
B. cost-benefit analysis
C. regression analysis
D. narrative analysis
Answer: C (LEAVE A REPLY)
* Regression Analysis:
* Regression analysis is a statistical technique used to examine the relationships between a dependent variable (e.g., lottery ticket sales) and one or more independent variables (e.g., advertising, potential payouts, size of lottery cards).
* This method helps quantify the extent to which each variable impacts sales.
* Explanation of Answer Choices:
* A. Content analysis: Incorrect. This method is used to analyze qualitative data (e.g., text or media) rather than numerical relationships.
* B. Cost-benefit analysis: Incorrect. This technique evaluates the costs and benefits of a decision but does not identify the relationships between variables.
* C. Regression analysis: Correct. This technique determines the impact of multiple variables on a single outcome.
* D. Narrative analysis: Incorrect. This is used to analyze stories or qualitative information, not numerical data.
:
Association of Government Accountants (AGA),Data Analytics and Predictive Techniques in Government.
U).S. Census Bureau,Statistical Techniques for Economic Analysis.

NEW QUESTION: 50
A capital asset transferred to another department within the same government should be
A. recorded with the original department to maximize receipts.
B. recorded with the second department to minimize costs.
C. retained in the government's fixed asset tracking system with no change in book value to either department.
D. retained in the government's fixed asset tracking system showing the book value of the asset transferred to the receiving department.
Answer: D (LEAVE A REPLY)
Capital Asset Transfers Within the Same Government:
* When a capital asset is transferred between departments within the same government, the asset'sbook value(its original cost minus accumulated depreciation) should remain in the fixed asset tracking system.

* The transfer does not change the overall value of the asset for the government as a whole, but it should reflect that the asset is now under the responsibility of the receiving department.
Why This Is Important:
* Accurate tracking ensures the fixed asset system reflects the current custodian of the asset and allows for proper asset management and accountability.
Why Other Options Are Incorrect:
* A. Recorded with the original department to maximize receipts:This is incorrect because it ignores the asset's transfer and would misrepresent which department is responsible for it.
* B. Recorded with the second department to minimize costs:Cost minimization is irrelevant here; the transfer should reflect the book value.
* C. Retained with no change in book value to either department:While the book value doesn't change overall, the system must reflect the transfer to the receiving department.
References and Documents:
* GAAP (Governmental Accounting Standards Board - GASB):Requires accurate fixed asset tracking to reflect departmental transfers.
* GASB Statement No. 34:Discusses fixed asset tracking and reporting requirements.

NEW QUESTION: 51
Which element of an inventory management system includes determining how much stock to have on hand?
A. inventory control
B. safeguard control
C. management control
D. supply control
Answer: A (LEAVE A REPLY)
What Is Inventory Control?
* Inventory controlrefers to the processes and systems used to manage stock levels, including determining how much inventory to keep on hand, reordering stock, and maintaining optimal levels to meet operational needs while minimizing costs.
* Determining stock levels is a central function of inventory control, ensuring the organization has the right amount of inventory to meet demand without overstocking or understocking.
Why Other Options Are Incorrect:
* B. Safeguard control:This refers to protecting inventory from theft, damage, or loss, not determining stock levels.
* C. Management control:This is a broader term encompassing oversight and governance, not specific to inventory.
* D. Supply control:This typically refers to managing supply chains and suppliers, not the internal control of inventory levels.

References and Documents:
* GAO Inventory Management Guide:Defines inventory control as the process of determining and maintaining appropriate stock levels.
* Best Practices in Government Inventory Management (AGA):Emphasizes the role of inventory control in balancing supply and demand.

NEW QUESTION: 52
Use of a lockbox eliminates
A. internal office processing delays occurring prior to making deposits.
B. mail and check-clearing time.
C. delays in the availability of funds after transaction initiation.
D. the writing of checks against insufficient funds.
Answer: (SHOW ANSWER)
What Is a Lockbox?
* Alockboxis a service provided by banks to streamline the collection of payments.
Customers send payments directly to a bank-managed P.O. box, where the bank processes and deposits them on behalf of the organization.
Why Does a Lockbox Eliminate Internal Office Processing Delays?
* Payments are sent directly to the bank, bypassing the organization's internal mail and deposit processes.
This eliminates delays caused by handling checks internally and ensures quicker access to funds.
Why Other Options Are Incorrect:
* B. Mail and check-clearing time:Lockboxes reduce internal processing delays but do not affect the mail delivery time or bank check-clearing processes.
* C. Delays in the availability of funds after transaction initiation:Fund availability depends on banking processes, not the lockbox.
* D. Writing of checks against insufficient funds:Lockboxes do not prevent the issuance of bad checks.
References and Documents:
* Treasury Financial Manual:Describes lockboxes as tools to reduce internal delays in payment processing.
* GAO Financial Management Best Practices:Highlights the benefits of lockboxes in expediting deposits.

NEW QUESTION: 53
Compliance reporting, under government auditing standards, identifies all of the following components EXCEPT
A. areas of noncompliance.
B. the auditor's responsibility for tests of compliance.
C. review of major internal control cycles.

D. the scope of the compliance testing.
Answer: C (LEAVE A REPLY)
* Compliance Reporting Under Government Auditing Standards (GAS):
* GAS requires auditors to assess compliance with applicable laws, regulations, contracts, and grant agreements during audits.
* Compliance reporting typically includes:
* Identifying areas of noncompliance.
* Describing the auditor's responsibility for compliance testing.
* Outlining the scope of compliance testing.
* Explanation of Answer Choices:
* A. Areas of noncompliance: Included in compliance reporting to highlight where the entity failed to meet requirements.
* B. The auditor's responsibility for tests of compliance: GAS requires auditors to clarify their role in compliance testing.
* C. Review of major internal control cycles: Correct. While internal controls may be assessed, reviewing "major internal control cycles" is not a direct component of compliance reporting.
* D. The scope of the compliance testing: GAS mandates that the scope of testing be disclosed in the compliance report.
:
GAO,Government Auditing Standards (Yellow Book).
AICPA,Compliance Reporting Guidance for Government Audits.

NEW QUESTION: 54
In defining the audit objectives of a performance audit, auditors should evaluate whether the audited entity has
A. updated its vision and strategic mission statements.
B. corrective actions to address prior findings and recommendations.
C. updated its financial reports' MD&A.
D. internal controls in place.
Answer: B (LEAVE A REPLY)
* Performance Audit Objectives:
* Performance audits evaluate whether government entities are operating efficiently, effectively, and in compliance with applicable laws.
* A critical aspect is assessing whether the entity has implementedcorrective actionsin response to prior audit findings and recommendations, as this demonstrates accountability and progress.
* Explanation of Answer Choices:
* A. Updated its vision and strategic mission statements: Incorrect. While strategic planning is important, it is not the primary focus of performance audit objectives.

* B. Corrective actions to address prior findings and recommendations: Correct. Addressing prior findings is a key objective to ensure identified issues have been resolved.
* C. Updated its financial reports' MD&A: Incorrect. MD&A (Management's Discussion and Analysis) is related to financial reporting, not performance audits.
* D. Internal controls in place: Incorrect. While internal controls are reviewed, the focus here is on corrective actions to past findings.
:
GAO,Government Auditing Standards (Yellow Book).
GAO,Performance Auditing Guidance.