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AGA GFMC Exam Syllabus Topics:

Topic	Details

Topic 1	• Auditing: This section of the exam measures the auditing knowledge of financial controllers and government auditors. It focuses on audit standards, types of audits, the audit process, and the responsibilities of both auditors and auditees. Key topics include audit preparation, follow-up, independence, materiality, and the scope of the Single Audit Act. Candidates are also expected to be familiar with fieldwork, reporting, and confidentiality concerns relevant to public sector audits.
Topic 2	• Financial Management Functions: This section of the exam measures the competencies of public sector finance officers and treasury analysts in managing financial operations in government environments. It covers essential areas such as cash flow practices, investment strategy, debt recovery, and procurement processes. Candidates are expected to understand property and inventory systems, evaluate IT-based financial systems, and apply emerging technologies. Shared services and project management principles are also included as foundational knowledge areas.
Topic 3	• Financial and Managerial Analysis Techniques: This section of the exam measures the skills of budget analysts and financial managers in using quantitative tools and data to assess financial decisions. It includes techniques like trend and ratio analysis, forecasting, regression, and data analytics. It also tests understanding of data sources, reliability, and how forensic auditing can be used for deeper insight into financial activities.
Topic 4	• Internal Control: This section of the exam measures the capabilities of compliance officers and internal auditors in implementing and evaluating internal control systems. It includes knowledge of COSO frameworks, OMB standards, and audit procedures aimed at fraud prevention and legal compliance. Candidates must understand roles and responsibilities related to internal control, risk assessment, reporting mechanisms, and enterprise risk management frameworks.
Topic 5	• Performance Measurement • Metrics • Service Efforts and Accomplishments: This section of the exam measures the ability of program managers and strategic planners to align performance indicators with organizational outcomes. It covers the integration of financial and non-financial metrics with strategic goals, the importance of transparency and accountability, and how performance data informs budgetary decisions. Candidates must understand stakeholder engagement, baseline setting, legal compliance, and benchmark creation.

AGA Examination 3: Governmental Financial Management and Control (GFMC) Sample Questions (Q21-Q26):

NEW QUESTION # 21
In an internal control evaluation, what are the roles of management and the auditor regarding the risk of fraud, waste and abuse?

- A. Both management and auditors determine risk tolerance levels.
- B. Management mitigates risks, auditors monitor compliance with controls.
- C. Management identifies risks, auditors assess control effectiveness.
- D. Auditors identify risks, management implements control measures.

Answer: C

Explanation:
Role of Management in Internal Control Evaluation:
* Responsibility for Risk Identification:Management has the primary responsibility for designing, implementing, and maintaining an effective system of internal controls. As part of this process, management identifies the risks related to fraud, waste, and abuse that could impact financial reporting or operational efficiency.
* Mitigating Risks:Once risks are identified, management is responsible for mitigating them by developing appropriate policies, procedures, and controls.
Role of the Auditor in Internal Control Evaluation:
* Assessing Control Effectiveness:Auditors are not responsible for designing or implementing controls; rather, their role is to evaluate whether the controls put in place by management are effective. They do this through testing, observation, and other audit procedures.
* Fraud Risk Assessment:As part of their duties under Generally Accepted Government Auditing Standards (GAGAS), auditors must assess the risk of material misstatement due to fraud and evaluate how management's controls address those risks.

Why Other Options Are Incorrect:
* B.Auditors do not identify risks-this is management's job. Auditors evaluate and assess the controls already in place.
* C.Determining risk tolerance is a governance and management responsibility, not the joint responsibility of auditors and management.
* D.Management mitigates risks, but auditors don't monitor compliance with controls-they test and evaluate the controls as part of their audit procedures.
References and Documents:
* GAGAS (Yellow Book) by GAO:Emphasizes management's responsibility for risk identification and the auditor's responsibility for assessing control effectiveness.
* COSO Internal Control Framework (2013):Highlights management's responsibility for risk assessment and control design, while auditors provide independent assurance.

NEW QUESTION # 22
Which of the following would auditors issue an opinion on?

- A. financial statement audits
- B. compliance audits
- C. performance audits
- D. forensic audits

Answer: A

Explanation:
* 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 # 23
The National Performance Management Advisory Commission established a comprehensive framework that incorporates performance measurement into the

- A. financial statements.
- B. audit procedures.
- C. budget process.
- D. internal control plan.

Answer: C

Explanation:
National Performance Management Advisory Commission Framework:
* TheNational Performance Management Advisory Commissiondeveloped a comprehensive framework to integrateperformance measurementinto government operations.
* One of its primary goals was to incorporate performance metrics into thebudget processto align resource allocation with program outcomes.
* This ensures that budgeting decisions are informed by program performance, improving efficiency and accountability.
Why the Budget Process?
* By linking performance to budgeting, governments can prioritize funding for programs that demonstrate effectiveness and reduce funding for underperforming initiatives.
Why Other Options Are Incorrect:

* A. Internal control plan:Internal controls focus on risk management, not incorporating performance measurement.
* B. Financial statements:Performance metrics are not reported in financial statements, which focus on financial position and results.
* C. Audit procedures:Audits verify financial accuracy and compliance but do not incorporate performance measurement.
References and Documents:
* National Performance Management Advisory Commission Report (2010):Recommends integrating performance measurement into the budget process.
* GAO Guide on Performance Budgeting:Explains how performance metrics inform budget decisions.

NEW QUESTION # 24
Given the information below, which control would be the lowest priority?
Asset $Amount at Risk Cost of Control

- A. Asset D $500,000 $20,000
- B. Asset B $6,000 $ 2,500
- C. Asset C $2,000,000 $50,000
- D. AssetA $ 150,000 $15,000

Answer: B

Explanation:
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 # 25
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. 6 years and 3 months
- B. Syears
- C. 2 years and 9 months
- D. 2 years and 6 months

Answer: B

NEW QUESTION # 26
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