



Management Representation Letter

Guide for Management



In a financial statement audit, auditors must obtain written representations from management and, when appropriate, those charged with governance, as audit evidence during the completion phase of the audit. These representations are provided in the form of a management representation letter (MRL) addressed to the auditor.

This document summarizes the MRL process and includes specific considerations for federal government audits. For specific questions, please work with your KPMG audit team.



MRL Requirements

The MRL is a critical part of the audit, required by the AICPA's clarified auditing standards (AU-C) Section 580–*Written Representations*. Additional guidance is provided in the OMB Bulletin 24-02, *Audit Requirements for Federal Financial Statements* (OMB Audit Bulletin), Section 8, *Written Representations from Management*, as amended.¹ While we obtain audit evidence throughout the audit engagement, we cannot conclude that management has fulfilled its responsibilities related to the preparation and fair presentation of the financial statements and the information provided and completeness of transactions without your confirmation as to such.²



¹ Also refer to GAO/PCIE's Financial Audit Manual (FAM) Section 550, *Perform Other Reporting Phase Audit Procedures*, paragraphs .09 -.16, which is substantially consistent with AU-C 580.

² AU-C 580.A7

³ AU-C 580.10 through .19

⁴ AU-C 580.A1



MRL Form and Content

Your KPMG audit team will generally provide a draft MRL as early as possible following the release of the annual OMB Audit Bulletin, which is approximately 1-2 months prior to year-end (e.g., during August for a September 30th year-end). The MRL will include representations covering the following required items:³

- Preparation and Fair Presentation of the Financial Statements
- Fraud
- Uncorrected Misstatements
- Estimates
- Subsequent Events
- Information Provided and Completeness of Transactions
- Laws and Regulations
- Litigation and Claims
- Related Party Transactions
- Additional Written Representations considered necessary to support other audit evidence obtained or specific assertions related to the financial statements
- Other representations specifically required by the OMB Audit Bulletin

We do not expect significant modifications to the draft representations provided as they are sourced from the auditing standards and the OMB Audit Bulletin.⁴ Minor editorial changes may be acceptable. Modifications to further describe relevant facts and circumstances may also be acceptable but cannot change the meaning of the representation. If you are unable to provide a representation for a matter included in the draft MRL, alert your KPMG audit team immediately.



Action Item: Review the draft MRL provided by your KPMG audit team early. Communicate to your relevant stakeholders the expectation that modifications are expected to be rare and should be limited to factual inaccuracies. Notify your KPMG audit team ASAP if you are unable to provide a specific representation.



MRL Signers

The auditing standards require that the written representations are provided by management and/or those charged with governance with appropriate knowledge of the financial statements and the matters concerned.⁵ Those individuals are generally considered to be the entity's chief executive officer and chief financial officer, or persons in other equivalent positions that do not use those titles.⁶

For federal government entities, written representations must be obtained from the highest levels of the audited entity, including the head of the entity (e.g., Secretary, Director, Administrator) and the Chief Financial Officer.⁷ Overall responsibility for the financial statements cannot be delegated. We will identify required MRL signers based on the entity's organizational structure and cannot deviate except in the case of a vacancy in the role. This guidance also applies to entity components where we perform audit procedures, and KPMG will also request a component-level MRL to be signed by the head of the component.

The auditing standards also require the auditor to evaluate the reliability of the written representations, including assessing the competence, integrity, ethical values and diligence of management.⁸ KPMG evaluates MRL signers through our firm's risk management process early in the audit. As MRL signers have knowledge of and overall responsibility for financial reporting, we also conduct specific inquiries of them related to risks of fraud in accordance with AU-C 240 *Consideration of Fraud in a Financial Statement Audit*.



Action Item: Notify your KPMG audit team as soon as you are aware of a role change that would prompt a change in a signer of the MRL. An unforeseen change to signers may delay issuance of our auditors' report.

The auditing standards require your written representations to be made as of the date of our auditors' report.⁹ In practice, you may need additional time to route the MRL to the appropriate members of management and/or those charged with governance for review and signature. Additional coordination may be necessary for individuals who will be traveling or otherwise unavailable to provide their signature on the date of the auditors' report. If a signer signs early, they acknowledge that the representation is as of the auditors' report date, and they must inform the KPMG audit team if anything changes between the date of their signature and the date of the auditors' report that would prevent us from being unable to rely on the management representation letter, as provided. **The MRL must be dated with the same date as our auditors' report.**



Action Item: Coordinate internally as early as possible to determine the timing and means of obtaining signatures from all signers.



Transmission of the MRL

The auditing standards do not specify transmission requirements for the MRL. KPMG policy allows us to accept an originally signed document (i.e., ink signatures), an electronic version of the originally signed document (i.e., a scanned image of ink signatures), or an electronically signed version (e.g., via Adobe certified signatures).



Action Item: Work with your KPMG audit team as early as possible to determine the signature format and method of delivery.

⁵ AU-C 580.09

⁶ AU-C 580.A2

⁷ OMB Bulletin 24-02, section 8.3

⁸ AU-C 580.22

⁹ AU-C 580.20

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