Walkthrough Template

Entity	Lehman Brothers Holding Inc.	Workpaper Ref.	BMRM1
Subsidiary or Division		Prepared by	Jared Pedowitz
Financial Statement Date	11/30/2007	Reviewed by	Nathalie Nguyen

Significant Class of Transactions/Process name: BMRM – Market Risk Management Walkthrough

This template assists in our documentation of walkthroughs under S04 Perform Walkthroughs of the *EY Global Audit Methodology* (*EY GAM*).

S03 Understand Flows of Transactions, WCGWs, and Controls of *EY GAM* requires us to gain an understanding of the flow of transactions within significant processes and the sources and preparation of information in sufficient detail for the purpose of:

- Identifying the types of errors that have the potential to materially affect relevant financial statement assertions related to significant accounts and disclosures
- When appropriate, identifying controls that are effective and sufficiently sensitive to prevent or detect and correct material misstatements in the related relevant financial statement assertion

S04 Perform Walkthroughs of *EY GAM* requires that we perform a walkthrough for each significant class of transactions within significant processes, including the sub-processes of the Financial Statement Close Process ("FSCP") and sources and preparation of information resulting in significant disclosures. The nature and extent of our walkthrough procedures will vary depending on our strategy relating to reliance on controls and the complexity of the process.

We obtain an understanding of and document the significant flows of transactions and sources and preparation of information prior to completing our walkthrough procedures. This documentation may exist in our current year or permanent files and is typically carried forward from year to year and updated as appropriate. If the client has sufficient documentation of the flow of transactions or sources and preparation of information, we examine and, as appropriate, retain copies of the client's documentation in our current year or permanent files rather than preparing our own documentation.

For all audits regardless of our strategy (Controls Strategy or Substantive Strategy), we perform walkthroughs to achieve the following objectives:

- Confirm our understanding, as identified in our process documentation, of the flow of significant classes of transactions within significant processes or sources and preparation of information resulting in significant disclosures, including how these transactions are initiated, authorized, recorded, processed and reported: and
- Verify that we have identified the appropriate "what could go wrongs" (WCGWs) that have the potential to materially affect relevant financial statement assertions related to significant accounts and disclosures within each significant class of transactions.

Additionally, when we plan to assess control risk below maximum (Controls Strategy), or for significant risks or risks for which substantive procedures alone do not provide sufficient evidence, we perform walkthroughs to achieve each of the objectives noted above, as well as the following objective with respect to the design and implementation of controls:

- Confirm our understanding of:
  - The accuracy of information we have obtained about identified controls over the flow of significant classes of transactions,
  - Whether the controls are effectively designed to prevent, or detect and correct material misstatements on a timely basis, and
  - Whether the controls have been placed into operation.

When performing our walkthrough procedures we focus on the critical path in the process where transactions are initiated, authorized, recorded, processed and ultimately reported in the general ledger (or serve as the basis for disclosures). In particular, we focus attention on the points where data is, or should be captured, transferred, or modified as these are the points where misstatements might be most likely to occur. Our walkthrough includes both the manual and automated steps of the process and we use the same source documents and information technology that client personnel typically would use. When the client's IT environment is complex, we work with TSRS (IT professionals) to the extent necessary to walk through the automated aspects of the flow of transactions or sources and preparation of information and if applicable, related controls.

This template assists in our documentation of walkthroughs and its use is highly encouraged. It is divided into three sections.

Section 1: Walkthrough Procedures

Section 2: Other Matters—Segregation of Incompatible Duties and Management Override of Controls

Section 3: Conclusion

Section 1: Walkthrough Procedures

Performance Guidance

S04_Perform Walkthroughs of *EY GAM* provides detailed guidance on performing walkthroughs. Teams may find S04_Exhibit 1 Perform Walkthroughs of *EY GAM* particularly helpful when executing our walkthrough procedures.

When we have decided to use the Substantive Strategy (i.e., assess control risk at the maximum), we limit our walkthrough to the relevant processing procedures needed to confirm our understanding of the flow of transactions or the sources and preparation of information resulting in significant disclosures.

For each walkthrough, we are required to document the following items:

- The transaction selected for walkthrough (Substantive and Controls Strategy);
- Individual(s) with whom we confirmed our understanding (Substantive and Controls Strategy);
- Description of the walkthrough procedures performed (Substantive and Controls Strategy); and
- Description of the walkthrough procedures performed to confirm our understanding of the design of the manual, IT-dependent manual and application controls on which we plan to test and rely upon and that such controls have been placed into operation (Controls Strategy only).

Documentation of Walkthrough Procedures Performed

Transaction selected for walkthrough (Substantive and Controls Strategy):	E&Y performed the walkthrough for the month of August
Individual(s) we talked with to confirm our understanding (Substantive and Controls Strategy):	Elizabeth Agosto, Market Risk Management Lisa Rathgeber, Market Risk Management

Confirming our Understanding of the Flows of Significant Transactions (Substantive and Controls Strategy)

Describe the walkthrough procedures performed, addressing the points at which the transactions are initiated, authorized, recorded, processed, and ultimately reported in the general ledger (or serve as the basis for disclosures), including both the manual and automated steps of the process. For sources and preparation of information resulting in significant disclosures, describe the procedures performed to confirm our understanding of the process and sources of information management uses to generate significant disclosures. We document whether processing procedures are performed as originally understood and in a timely manner.

While performing the walkthrough, we ask probing questions about the client's processes and procedures and related controls to gain a sufficient understanding to be able to identify important points at which a necessary control is missing or not designed effectively. For example, our follow-up inquiries might include asking personnel what they do when they encounter errors, the types of errors they have encountered, what happened as a result of finding errors, and how the errors were resolved. We might also question client personnel as to whether they have ever been asked to override the process or controls, and if so, to describe the situation, why it occurred, and what happened. Our inquiries also should include follow-up questions that could help identify the abuse or override of controls, or indicators of fraud.

As a part of 2007 audit procedures, E&Y communicated with several of Lehman's Risk Management department personnel and updated its understanding of Lehman's Risk Management function in general and Market Risk Management ("MRM") in particular. This walkthrough documents our understanding of Market Risk Management as a Component of Overall Risk Management and further, high level description of key components within MRM used by Lehman to manage Market Risk.

I. Overview of Market Risk Management Framework

1. *Global Risk Management Overview*

Risk Management is an advisory and reporting function independent of the business lines and it involves understanding the nature and degree of the risk that Lehman is taking in each of the businesses and across the Firm. Lehman considers Risk Management as the collective effort of the various departments within the organization of which MRM is one component. The 6 primary risk management departments that constitute the Global Risk Management Division

are:
- MRM
- Credit Risk Management (please refer to BCRM1 & BCRM2 Memos)
- Operational Risk Management (please refer to BORM Memo)
- Quantitative Risk Management ("QRM")
- IMD Risk Management
- Sovereign Risk Management

EY auditor obtained a copy of the Global Risk Management Organization Chart (BMRM1) to identify the corresponding managers for each of the six primary risk management divisions. This chart was obtained for information purposes.

Market risk is usually defined as "the risk of a mark-to-market loss in a financial instrument from an adverse movement in market prices or rates." Generally, sources of market risk fall into three categories:
- Interest rates (outright, spread, yield curve, volatility, etc.)
- Equities (outright, volatility, etc.)
- Foreign exchange (outright, volatility, etc.)

2. *MRM Reporting Line*

MRM's mandate, reporting lines, and management hierarchies are separate and hence this function is able to take an independent view of risk issues as they arise. The Market Risk Manager is responsible for maintaining regular contact with each trading area and will be located on the trading floor close to the front office in order to develop a close working relationship with the Lehman employees whose role is to manage trading activity. These informal lines of communication are encouraged. MRM is independent of the business reporting locally into the Chief Administration Officer and globally into the Global Head of Market Risk Management. Regional Market Risk Manager will liaise with, and can draw upon the resources of, Risk Management colleagues in other regions for regional risk issues and in London/New York for global risk issues.

The Global Head of Market Risk Management, Paul Shotton, is responsible for the day-to-day activities of MRM, and has a direct reporting line to the Chief Risk Officer. MRM is independent of all other functional areas (e.g. Front Office, Finance, etc.) within the Firm. The Chief Risk Officer reports to the Chief Administrative Officer of Lehman, who is a member of the Executive Committee of the Firm. The Chief Administrative Officer ("CAO") and the Executive Committee ultimately report to the Board of Directors of the Firm.

II. MRM Measurement Methodology

MRM utilizes qualitative as well as quantitative information in managing trading risk, believing that a combination of the two approaches results in a more robust and complete approach to the management of trading risk. Quantitative information is developed from a variety of risk methodologies based upon established statistical principles. The most common measures are the Value-at-Risk ("VaR"), stress-testing, and backtesting.

1. *Value-at-Risk ("VaR")*

VaR is a measure of potential loss from an unlikely, adverse event in a normal market environment. It is an estimate of the potential decline in the value of the firm's trading positions due to normal market movements. Depending on the purposes for which the VaR measures are intended, different confidence levels and holding periods are used as appropriate. For daily reporting and monitoring purposes, a one-sided, one-day VaR measured at a 95% confidence level is used.

In the Management's Discussion and Analysis section of its Form 10-Q (Q1 to Q3) and November 30, 2007 10-K, Lehman has disclosed an estimated VaR which uses a historical simulation approach. The historical simulation approach involves constructing a distribution of hypothetical daily changes in the value of our positions based on market risk factors embedded in the current portfolio and historical observations of daily changes in these factors. Lehman's method uses four years of historical data weighted to give greater impact to more recent time periods in simulating potential changes in market risk factors. VaR limits are assigned by product type within Fixed Income (i.e., interest rate products, municipals, etc.) and Equity (volatility, convertibles, etc.).

Please refer to "MD10B Memo – Value-at-Risk Memo" in Corporate Team AWS (for the Q) and GAMx (for year-end reporting) for further details on methodology and work performed as a part of quarterly review procedures. E&Y performed sample recalculations of Lehman's VaR amounts. We selected a sample of books in the mortgages derivatives/securitized products area and a sample of equity derivative trades for recalculation of VaR. The VaR was recalculated by the EY Derivative Valuation Center ("DVC") group using Lehman's inputs.

Lehman Brothers utilizes a VaR tool, Lehman Risk, to measure and report the firm's market risk. Only a limited number of Lehman personnel have access to Lehman Risk, including the MRM and head traders. The system is fed by the firm's risk management and valuation systems, and generates the risk calculations behind the website. The risk managers use the site to monitor the risk of the portfolios and take action when a limit is reached. This site allows the users to view different risk statistics, measurements and exposures based on the product type and region. Lehman Risk also allows the user to view VaR trends (both usage and limits) over six-month intervals based on region and product type.

2. *Stress Testing*

Stress testing is a procedure for evaluating the potential loss of a portfolio due to shocks to its underlying risk factors over a wide range of scenarios, however unlikely the probability of occurrence may be. Stress testing is used to capture "tail" and "outlier" events in the market. The Firm performs periodic stress analyses based on predefined stress scenarios, which address both large risk factor movements and a dramatic deterioration in liquidity.

For linear risks, sensitivities to interest rates, credit spreads and stock price moves enable Lehman to stress the portfolio for extreme interest rate, stock price and credit spread moves respectively. For non-linear risks, stress tests are performed by revaluations of the portfolios simultaneously shocking spot and volatility using multiple scenarios.

The term "stress testing" is widely used in the risk management profession, covers a number of techniques used as a supplement to other risk measurement methods, such as VaR, to explore the vulnerability of a portfolio of positions to extreme markets. Regardless of the scale of the event, to add value to a firm's portfolio of risk management metrics, useful scenarios need to satisfy three requirements:

- Scenarios need to be plausible and economically coherent, however unlikely
- Scenarios need to seek out the vulnerabilities in the portfolio
- A mean of drilling down into the results of the scenario needs to exist to see which positions and market shocks are driving the larges P&Ls, and hence what mitigating courses of action may be taken

Stress testing is a regulatory requirement as a supplement to VaR models under 1996 amendment to the Basel Accord, and in the Basel II framework. For a better understanding of the Stress Testing framework, policies, & procedures please refer to BMRM6 work-papers. Also, EY received the 08/31 Stress Testing Report (BMRM9a) from Lehman Risk to ensure Stress Testing is being performed.

3. Backtesting

Backtesting is a method of assessing the accuracy and quality of the VAR figures calculated by the firm by comparing the number of times the VaR model under-predicts the subsequent day's loss versus the number of times such an under-prediction is expected. Backtesting provides a feedback loop to enhance the risk measurement methodologies. Since Lehman uses a VaR-based model for capital calculation purposes under CSE requirements, Backtesting is also an ongoing requirement for compliance with the market risk regulatory rules; as the number of "exceptions" will directly impact the capital multiplier.

Backtesting is performed on a regular basis to determine the accuracy of risk measures. The test compares the actual net trading profits or losses of a portfolio to the VaR measures generated for the portfolio. EY auditor obtained Backtesting results (BMRM9) from 08/31/07 to ensure that Backtesting was being performed. Also, in order to update our understanding EY reviewed the Backtesting Policy and Procedures (BMRM7a) and the Backtesting Module (BMRM7).

As per the Backtesting Policy and Procedures, Risk Management will review Backtesting results on a monthly basis. Results will be reviewed at the Firm, Divisional, global, and regional line of Business levels, and for specific legal entities, as required by regulatory supervisors. The reports will evidence the number of exceptions, explanations of their causes, and their categorization as genuine, or otherwise, will be made. Clusters of exceptions, and numbers of exceptions which, in aggregate, are large relative to the numbers expected statistically, are investigated by the MRM and QRM departments. EY reviewed the Monthly VaR Backtesting Exceptions reports (BMRM8) for June to September 2007.

II. Market Risk Management Department – Roles & Responsibilities

As discussed above, MRM is an essential component of Lehman's overall global risk management framework. The MRM department has responsibility for implementing the Company's overall market risk management framework. It is responsible for the preparation and dissemination of risk reports, developing and implementing the firm-wide MRM Guidelines and evaluating adherence to these guidelines. These guidelines provide a clear framework for risk management decision-making. Also, the QRM Department shares responsibility with MRM for implementing the firm's overall market risk management framework. For a better understanding please refer to BMRM2 - Market Risk Management Policy and Procedures and BMRM2a - Quantitative Risk Management Policy and Procedures.

To that end, MRM identifies and quantifies risk exposures, develops limits, and reports and monitors these risks with respect to the approved limits. The identification of material market risks inherent in positions includes, but is not limited to, interest rate, equity, and foreign exchange risk exposures. In addition to these risks, MRM also evaluates liquidity risks, credit and sovereign concentrations.

The MRM Department works with several other independent controlling departments that together control the firm's long-term and daily trading activities via a framework which includes the following functions:

- Active risk exposure consulting;
- Active consulting role in risk capital allocation/risk-adjusted performance assessment;
- Assistance to Senior Management in the dialogue with rating agencies, regulatory bodies, creditors and investors;
- Regular review of policies and procedures of the market risk management process;
- Determination of market risk measurement methodology in conjunction with QRM;
- Monitoring and reporting of the market risk of trading exposures (refer to sub-section 1 below);
- Limits administration and escalation process (refer to sub-section 2 below);
- Market risk aggregation and analysis (locally, regionally, globally); and
- Communicating large or unusual risks as appropriate (refer to sub-section 3 below).

In addition, a group (based in New York and London) exists within Risk Management that is responsible for Model Validation (refer to sub-section 4 below).

1. Risk Appetite

Methodology: Risk appetite is at the center of an approach to risk. Risk appetite represents the quantity the Firm is "prepared to lose" in a single year due to market, event and credit risk. It is the largest reduction in revenue Lehman can tolerate without suffering larger adverse consequences for the Firm such as compensation inadequacy, ratings downgrades, or loss of confidence in the Firm. In setting the risk appetite, Lehman trade-off the consequences and likelihood of these downturns occurring against the "value" of taking more risk. Since Lehman's risk appetite defines the total amount of risk Lehman has to "spend," Lehman allocates it to the highest ROE businesses consistent with franchise and other considerations. Risk appetite is defined and measured at a 95 percent level of confidence.

Fundamental framework of risk appetite: On an annualized basis Lehman start their calculations with base revenue projections and then deduct an estimate of the potential loss of revenues from non risk-taking activities due to a downturn in customer flow and origination to calculate "adjusted" projected revenue. Finally, Lehman ensures that they provide for adequate compensation such that they can continue to pay their employees at minimally acceptable levels so that they can maintain operating capabilities. Subsequent to this, Lehman ensures that the result provides a minimum acceptable ROE on both a quarterly and annual basis so as to avoid negative ramifications from external constituents (e.g. rating agencies, creditors, analysts, shareholders, etc.) which could damage the franchise.

2. *Risk Management Committee*

The Firm's Risk Committee meets weekly and consists of the CEO/Chairman of the Board, President/COO, CAO, members of the Executive Committee, the Chief Financial Officer and the Chief Risk Officer. The weekly meeting includes discussion of the Firm's top market and credit risks. The areas of focus include the following:

- Risk Appetite;
- VaR;
- Counterparty credit risk exposures by region, product, sectors and ratings, top investment grade and top non-investment grade names
- Large exposures – investment grade, non-investment grade, principal transactions, workouts and equities;
- Commitments – syndication risk; pipeline;
- Firm Relationship Loans.

In addition, every Monday morning the Chief Risk Officer meets with the CEO/Chairman to discuss the major risk positions. On a daily basis, the Risk Appetite Report and VaR Usage is distributed to the Chief Risk Officer, CAO and others within MRM for review. EY reviewed the 08/20/07 Aggregated Risk Report (BMRM9b) to confirm that the aforementioned risk areas are discussed in the report.

3. *Limit Administration and Escalation Process*

The overall risk limit is driven by Risk Appetite which is approved by the Executive Committee on an annual basis and reviewed for possible updates quarterly. Limits are set by MRM in conjunction with the Business Heads and are disseminated to the various divisions and businesses. Market risk limits meet the following objectives:

- To be within the Firm's risk appetite;
- To protect the Firm's capital base;
- To reduce the volatility of the Firm's trading returns;
- To support the efficient allocation of capital based upon a risk adjusted return on capital.

Risk appetite is the primary limit measurement tool in operation within the Firm. Limits are set at the Firm level and cascaded down to divisions, regional and business unit levels. Business Managers have the flexibility to reallocate limits within their businesses. The Desk and Business Managers have the authority to set individual trader limits and reallocate as they see fit so long as the business stays within its limit overall.

When a limit level is approached, or seems likely to be exceeded, the issue is escalated within MRM as well as within the business. The authorized business and MRM managers are then able to decide the action to be taken. One of three courses may be taken:

- Allow the excess to remain for an agreed period of time in support of the specific trading strategy: this action may occur in cases where the excess was anticipated and discussed with MRM or where the excess is in support of a customer facilitation trade;
- Agree, in some circumstances, to revise the limits if, for example, there has been a change in the business which warrants such a change; or
- MRM may instruct the business to reduce the risk profile back within the limit.

The Market Risk Manager is responsible to report the excess and any discussion with the trader or business unit manager to his/her manager in MRM. The Chief Risk Officer is empowered to grant a temporary waiver of the excess or invoke a process whereby risks are reduced below the limit. If a temporary waiver is granted, this becomes the limit used for the duration of the waiver. At the end of the waiver period the limit will revert to the previous level.

In circumstances where excesses are occurring frequently, MRM will bring this to the attention of the Chief Risk Officer. This may result in:

- Action to bring risk below limit;
- An ad-hoc meeting to review the cause of the limit breaches;
- A review of the risk measurement technique;
- An adjustment in the business's allocated risk limits.

In order to maintain our understanding around the policy and procedures, EY reviewed the MRM Limit Policy (BMRM3) and obtained the VaR Limits vs. Exposures Report (BMRM10) from Lehman Risk.

4. *Model Validation*

One of the key aspects of Lehman's MRM is the Model Validation Framework residing under Model Validation Group. At Lehman, the model approval and inventory control process operates within the guidelines specified by the FID and Equity Model Control Guidelines ("MCG"). A control environment exists within the parameters of the MCG to ensure that any new model or changes to an existing model are reviewed and tested by an independent MVG and is further appraised by other concerned groups like IT, Product Control and QRM before the models are implemented for Risk and P&L purposes. Other major elements of this control environment are:

- Existence of a Model Control Committee comprising of senior level representatives from MVG, QRM, Product Control and Technology which monitor the overall model control environment and address issues on an ongoing basis.
- Existence of a Model Inventory Control process to ensure that a comprehensive model inventory log is maintained for all fully and temporarily approved models along with approval status and other relevant information.

The MVG exists primarily to review all new models and changes to existing models as submitted by the QRM, stress test the model (if necessary) and complete and maintain the model documentation. Our audit procedures focused primarily on obtaining an understanding of process/control enhancements made during 2007 through performing walkthroughs and tests of controls over the (1) completeness of the model inventory, (2) timeliness of MVG review of new models/model changes, and (3) maintenance of independent testing and related model documentation by MVG as a part of their model review process. Please review MVG workpapers for further details.

For additional information EY obtained the following two policies:
MRM VaR Calculator for Mortgage Products (BMRM4)
MRM VaR for Equity Products (BMRM5)

Confirming our Understanding of Controls (Controls Strategy)

Describe the walkthrough procedures to confirm our understanding of the design of the controls and that they have been placed into operation. As we walkthrough the prescribed procedures and controls, we should ask personnel to describe their understanding of the control activities and demonstrate how they are performed. We keep in mind that controls may be manual, automated, or a combination of both. Application controls are fully automated controls that apply to the processing of individual transactions. IT-dependent manual controls are dependent upon complete and accurate IT processing to be fully effective.

MRM1 - A Global Market Risk Management Policy Manual is maintained by the MRM Group.

MRM2 - Limits are set by MRM by product type in conjunction with the Business Heads and are disseminated to the various divisions and businesses.

MRM3 - Risk managers use Lehman Risk to monitor the risk of the firm's portfolios and take action when a limit is reached.

MRM4 - When a risk limit level is approached, or seems likely to be exceeded, the issue is escalated within MRM as well as within the business for appropriate resolution.

MRM5 - TSRS - Lehman Risk receives feeds from various risk management and valuation system in order to aggregate the firm's risk exposures.

MRM6 - MRM performs periodic stress analyses based on predefined stress scenarios.

MRM7 - Risk Committee meets weekly to discuss key risk exposures.

MRM8 - Chief Risk Officer meets with the CEO/Chairman to discuss the major risk positions on a weekly basis.

Section 2: Other Matters—Segregation of Incompatible Duties and Management Override of Controls

Segregation of Incompatible Duties

S03 Understand Flows of Transactions and WCGWs of *EY GAM* requires that we assess the extent to which significant weaknesses in the proper segregation of incompatible duties could increase the likelihood of material misstatements in account balances. Inadequate segregation of incompatible duties also may reduce or eliminate the design effectiveness of a control. Accordingly, we consider whether those individuals performing the procedures and controls observed as part of our walkthrough procedures have any conflicting duties and whether any potential conflicting duties have been addressed in the design of the procedures and controls.

Our considerations related to segregation of duties as part of our walkthrough procedures are documented below:

<table>
<tr><td>Was anything noted in our walkthrough procedures that would indicate there are incompatible duties?</td><td colspan="2">Yes/No
No</td></tr>
<tr><td rowspan="2">If we answered “Yes” to the above:
• Do the incompatible duties represent a deficiency in the design of controls that is not sufficiently mitigated by other management actions or controls that have been identified (Substantive and Controls Strategy) and tested (Controls Strategy)?</td><td>Yes/No</td><td>Additional Observations</td></tr>
<tr><td>N/A</td><td></td></tr>
<tr><td>If we answered “Yes” to both of the above questions, provide further documentation and the related effect on our audit strategy.</td><td colspan="2">N/A</td></tr>
</table>

Management Override of Controls

S04_Perform Walkthroughs of *EY GAM* requires that we consider whether the results of our inquiries or other evidence obtained during our walkthroughs provides information regarding the possibility of management override of controls or indicators of fraud. The potential for management override of controls is one of the factors that can influence our evaluation of controls, including the effectiveness of internal control at the entity level.

Our considerations related to management override of controls as part of our walkthrough procedures are documented below:

<table>
<tr><td>Was anything noted in our walkthrough of controls that indicate the potential for management override of controls or that such override may have occurred?</td><td colspan="2">Yes/No
No</td></tr>
<tr><td rowspan="2">If we answered “Yes” to the above:
• Does the potential for management override of controls represent a deficiency in the design of controls that is not sufficiently mitigated by management actions or controls that have been identified (Substantive and Controls Strategy) and tested (Controls Strategy)?</td><td>Yes/No</td><td>Additional Observations</td></tr>
<tr><td>N/A</td><td></td></tr>
<tr><td>If we answered “Yes” to both of the above questions, provide further documentation and the related effect on our audit strategy.</td><td colspan="2">N/A</td></tr>
</table>

Section 3: Conclusion

At the completion of our walkthrough procedures, we reach a conclusion on whether our results confirmed our understanding of the flow of transactions or sources and preparation of information. Additionally, if we planned to assess control risk at less than the maximum, we are performing an integrated audit, or the class of transactions contains a significant risk, we reach a conclusion on whether our results confirmed our understanding of whether the controls have been implemented and whether the controls have been designed effectively to prevent or detect and correct material misstatements on a timely basis.

If we are unable to conclude that controls are effectively designed and have been implemented, we may need to reassess our strategy decision (i.e., Controls Strategy v. Substantive Strategy) at the significant class of transactions level and reassess our evaluation of controls. For integrated audits, we determine whether the missing or ineffective control(s) represent one or more control deficiencies that we include on the Summary of Control Deficiencies (EY Form U220).

Our conclusions are documented below or in GAMx (Perform Walkthroughs screen):[1]

	Yes/No	Additional Observations
Did our walkthrough procedures confirm our understanding of the flow of significant classes of transactions within significant processes or sources and preparation of information resulting in significant disclosures (Substantive and Controls Strategy)?	Yes	
Did our walkthrough procedures confirm that the identified WCGWs represent the points within the flow of significant classes of transactions, or sources and preparation of information in significant disclosures, where material misstatements could occur (Substantive and Controls Strategy)?	Yes	
Did our walkthrough procedures confirm that the controls have been effectively designed and placed into operation (Controls Strategy)?	Yes	

[1] If any of the situations are noted, we further describe the issues that were noted, and update our process documentation and GAMx file accordingly.