Walkthrough Template

Entity	Lehman Brothers Holdings Inc	Workpaper Ref.	**B32**
Subsidiary or Division	Mortgage Capital	Prepared by	Frank Aldridge
Financial Statement Date	11/30/08	Reviewed by	Nicholas McClay Maclar Ampanas

Significant Class of Transactions/Process name: Conduit, Large Loan, and CMBX Price Verification Process

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):	See Narrative
Individual(s) we talked with to confirm our understanding (Substantive and Controls Strategy):	Abe Kebede/Jen Park, Product Controllers

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.

Overview
EY auditors met with Abebual Kebede and Jen Park of Product Control to update our understanding of the Commercial Real Estate price verification process. Abebual Kebede is responsible for price verifying Real Estate positions for Lehman Brothers Holding Inc. ("Lehman"). The Real Estate business is separated into several distinct asset classes:

1. CMBS Securities
2. Large Loans (Fixed & Floating) & Conduit Loans
3. B-Notes / Mezzanine Notes
4. REIT LOC
5. Principal Transactions (PTG) assets
6. CMBX / Derivatives

This memo describes the price verification process for products 2 and 3. Please refer to **B34**, **B31**, **B33** and **B41** for other processes.

Lehman Price Testing Methodology
On a monthly basis, Product Control manually price verifies inventory marks booked by Front Office and researches and resolves material variances. Any differences noted between the values per product control and

the values per Lehman are not, on their own, amounts which should be recorded to adjust inventory to fair market value. The differences are used by product control to highlight those positions which should be discussed and monitored with front office in order to determine whether an adjustment to the carrying value is required. If adjustments need to be made because it is determined that the trader mark is not in line with the MTM of the position, product control will ask the front office to make a mark adjustment or make the mark adjustment themselves within Quest. **Middle Office/Product Control reviews Quest adjustments to ensure P&L has been properly appropriately recognized.** (refer to **B11** process for further details). The price verification work was performed by the Product Control department to assess the reasonableness of the carrying value of the assets as determined by front office. On a quarterly basis, management summarizes all findings as a result of the pricing models and prepares a pricing package which is reviewed by senior management.

EY selected the month of February 2008 to walkthrough the process of CRE loan price verification process.

Commercial Fixed Rate Conduit Loans & Large Loans
Since Conduits (typically $10mm and up to $30mm) and Large loans (greater than $30mm) are originated with the full intention of eventual inclusion in a future securitization, they are price verified as such (i.e. in the aggregate).

The price verification described below includes conduits and fixed rate large loans. Floating rate loans are price verified as part of the Large Loan price verification procedures (See section at the end of this memo and **B33** for further details).

For the conduit fixed-rate loans that make up the bulk of the portfolio, Lehman will take the total face value of the loan population on MTS and compute what a hypothetical securitization (including all of the loans) would sell for at that particular point in time in order to determine the reasonableness of the market value of the portfolio. They model this 'hypothetical' based on a recent Lehman conduit securitization to have taken place. The conduit deals are typically in partnership with UBS and the mock securitization is based on the total loan balance of the previous deal. The costs and fees associated are either scaled down according to the balance Lehman contributed or are the actual amounts Lehman received/paid in the previous deal. Per conversation with Abe Kebede, conduit deals historically have occurred every two to three months, however, due to the recent credit crunch, fewer securitizations are expected in 2008. Product control analyzes the inventory positions versus the previous deal which the mock securitization is based on (**B32.B1 3/**), noting the percentage differences between the property types and the geographic locations and discusses the reasonableness of using the prior deal as a basis for the mock securitization within the commentary (**B32.B1 1/**). Typically, a Simple Model consists of the following inputs:

1. Subordination levels
2. Waterfall payment of bonds
3. Weighted average (life and coupon)
4. Treasury & SWAP rates – 3rd party data.
5. Loan inventory compared to actual collateral.

See Conduit pricing model at **B32.B1**.

All commercial real estate positions are downloaded from MTS and the conduit positions are stripped out from the total population to input into hypothetical securitization pricing process. **Population of positions in pricing file is reconciled to Quest to ensure completeness of positions being price verified.** EY auditor agreed Quest population download to complete CRE position file at **B32.1** w/o/e for completeness check (refer also to **B32.2** – **B32.3** for more details).

NPV Calculation Process:

1. Using the details from the recent deal, Lehman will back into the tranche percentages (which it will apply to the Inventory Balance), I/O strip and average lives for the hypothetical. E&Y auditor obtained

the prospectus for Lehman's previous commercial mortgage securitization at **B32.B2** and agreed it to the pricing model at **B32.B1 10/**. [EY notes per discussion with PC, Lehman incorrectly used the Yield from the previous deal instead of the average life in the model. EY ran the model using the correct average life and noted that the total return on the deal was 1.03% and the deal would be undervalued by $7.9mm. EY deems deal return was still within PC threshold of 1% from previous deal return (see **B32.B1 1/**). EY deems effect of the error immaterial.]

2. Lehman will then compute coupon rates based on the investment grade of the tranche. For those tranches which are investment grade the coupon rate is based off the target price of making 50 basis points on the deal (par + 50bps = target market price). For those which are non investment grade the coupon is based on the interpolated SWAP/Treasury rate (please see point 3 for details) plus 50 basis points. These benchmarks were based on discussions with Front Office, who informed Product Control that this is how they look to price these deals.
3. Lehman will then compute discount rates with which to value each tranche, based on spreads interpolated from treasury and swap rates included in the Fixed Income Derivative Trading Swap Manifold at **B32.B1 5/**. The rates are interpolated at **B32.1 7/ - 9/**.
4. The Weighted Average Coupon ("WAC") from the loan population is used in the NPV calculations to determine the coupon rate on the I/O tranches. E&Y auditor recalculated the WAC at **B32.B1 4/**. [EY notes per discussion with PC, there cannot be negative excess coupon in the mock securitization, thus, PC has adjusted the coupon of some of the larger tranches in the deal around 500 basis points to bring the excess coupon to 0.]
5. Lehman will then compute the NPV of the entire hypothetical security, and compare it to the total basis of all the conduit loans on MTS. If the NPV is greater, Lehman's conduit population is considered to be under valued. The differential between the NPV and the total conduit is further increased or decreased by estimates for origination fees, deal expenses, a NERD (net economic residual), and servicing fees, based on actual data from the recent securitization for a more accurate comparison. E&Y auditors agreed these expenses to the deal expense sheet for the securitization this mock securitization was modeled on, included in the pricing document at **B32.B1 12/**.

As previously noted, the NPV is based on a hypothetical securitization. The resulting proceeds (based on the execution of the "mock" securitization) are then compared with Lehman's market value of those loans in order to determine the potential profit/loss. The mock securitization of the loan inventory should result in a hypothetical return on the assets that is in line with the actual return on the deal after interest rate movements have been accounted for. E&Y auditor notes that the difference in return is discussed as part of the commentary at **B32.B1 1/**.

Per conversation with Abebual Kebede, Fixed Rate loans are typically held for 180 days (i.e. aging) and either included in the mock securitization model or the mark is reviewed as if loan is a principal position. In the case of the latter, product control will consult the trader to understand the collateral and discuss if there has been any deterioration in value. E&Y reviewed conduit loan aging per client (**B32.B1 4/**) and deemed explanations for aged loans reasonable as of 2.29.08

Based on our walkthrough and recalculations for the mock securitization, the portfolio is reasonably marked.

EY notes that Lehman completed one Commercial Securitization prior to Q2 2008. Additionally, loan origination volume has decreased significantly prior to Q2 2008. As such, Lehman was no longer using the mock securitization model to price verify loans. All remaining loans where either priced in the LL or Securitizable LL pricing files. EY will continue to update our understanding of Lehman's pricing methodology during test of controls and substantive procedures.

Commercial Floating Rate Large Loans

As noted above, fixed rate Large Loans are included as part of the conduit pricing and floating rate large loans

are priced separately. Large loan categories include:

1. *Securitization eligible/syndicatable* (**B32.C1**): Those large loans which can be placed into a securitization and are priced in line with B notes model using a discount rate calculating the net present value of future cash flows. Please see below for further details.
2. *Development phase/ stabilization phase* (**B32.D1**): Those large loans where the collateral is still in the development stage (i.e. an incomplete office building), and are usually noted by Real Estate publications (i.e. *Real Estate Finance & Investment*) as senior, with greater than 65% Loan to Value ("LTV"), and with a spread above LIBOR or 180bps. Per Abebual Kebede this phase is priced using a PTG Single Family Debt Pricing Model, typically, the average LTV is 30% unconsolidated.
3. *Condo Conversions* (**B32.C1**): Floating rate loans not yet stabilized, which are priced using PTG Single Family Debt Pricing Model with a 2% premium added since there is more risk.

Product Control puts together a file of the full population of floating rate loans, split by the above categories - refer to **B32.C1**. **Population of positions in pricing file is reconciled to Quest to ensure completeness of positions being price verified.** EY auditor agreed Quest population download to complete CRE position file at **B32.1** w/o/e for completeness check (refer also to **B32.2** – **B32.3** for more details).

Lehman will evaluate floating rate loans and strip out positions which are deemed unsecuritizable (types 2 & 3 above). The non-securitizable loans are made up of condo conversions, which use different inputs in order to determine value, and stabilizing loans (loans which are backed by assets on stabilization phase). The non-securitizable population is priced using the same discount rate model that are used in Lehman's PTG debt positions. The pricing model takes the current/stabilized value and applies a discount rate in order to calculate the valuation of the loan. The discount rate is based on the characteristics (i.e. lien, property type, LTV) of each specific loan as well as a spread taken from a third party source. Please refer to PTG walkthrough at **B33** for further discussion of Pricing model used for these loans.

The securitizable population is priced by calculating the net present value of the loan based on the below process. Please note that E&Y walked through this calculation for (see **B32.C1**):

MTS ID: WH6281
Description: Retreat at Speedway
Balance: $31.78
NPV Calculation Process:

1. The LL floating rate securitizable positions are downloaded from Quest as explained above. This download from Quest includes outstanding balance, market value, maturity date, spread, and stabilized date and value.
2. The coupon rate must be calculated on each loan in order to calculate the monthly payment which will drive the NPV calculation. The coupon rate on each of the loans is calculated by taking the 1 month LIBOR at end of the month and adding the spread per Quest download of positions.
3. The maturity term must also be computed as this will become the number of payments left on the loan as of the pricing date. This is calculated by taking the maturity date as downloaded per Quest and subtracting out the month end date and converting to months (see **B32.C1 2/**).
4. The discount rate is calculated using a hyper tranching rate calculation versus using a risk free rate plus a spread. EY noted that hyper tranching is where each rated loan is further broken down into tranches, with Moody's determining the percentage of that loan which would be broken down into each tranch. Refer to **B32.C2** for further details on hyper trancing.
5. Lehman will then compute the NPV of the loan using the above factors. This NPV is then taken to create a market model price, in other words the NPV divided by the outstanding balance. This market model price is compared versus the capped market value which would be the minimum of the market model price or par to come up with the more conservative price. The more conservative price is further compared versus the current price per Lehman's books. If Lehman is undervalued by

more than $3M or overvalued by more than $2M, the positions are investigated by Product Control to determine if a mark is necessary.

Based on our walkthrough and recalculations for the above position, the controls designed for this pricing model appear reasonable.

EY notes that as of Q2 2008, Lehman was actively drawing down the size of their balance sheet. As such, Lehman was able to obtain relevant market quotes to use in their pricing models. EY will continue review sales and will update our understanding of the impact of sales on Lehman's pricing methodology during test of controls and substantive procedures.

Commercial B Notes / Mezzanine Notes

B-Notes are carved out from large loans when they are securitized or syndicated, and thus B-Notes are not rated. Commercial N/R Mezzannine loans and B-Notes are price verified on an individual basis, using a NPV analysis based on individual loan characteristics, such as expected cash flows and prices these loans like bonds for comparative purposes against their respective basis (please see below for explanations of inputs).

Product Control will use hyper tranching to calculate a discount rate (refer to **B32.A2** for further details on hyper trancing) and the discount rate is then used to present value the cash flows of the Mezz- or B-Note. The resulting market value is then compared to Lehman's market value. The difference between the two amounts represents the potential profit/loss. Product Control will investigate any significant variances between traders' and calculated marks (overvalued by $2mm or undervalued by more than $2mm).

Per conversation with Abebual Kebede, the average holding period is generally longer than six months and sales are primarily to hedge funds.

EY auditor obtained the B-Notes Pricing File (**B32.A1**) as of 2.29.08 and selected one position from the pricing file and performed a walkthrough of Product Control's process. The position selected was:

MTS ID #:	WH8944
Name:	1133 Westchester
Coupon:	13.43%
B-Note Bal:	$9,280,030

On a monthly basis, Product Control will download all inventory positions in the B-Notes portfolio from Quest. **Population of positions in pricing file is reconciled to Quest to ensure completeness of positions being price verified.** EY auditor agreed Quest population download to complete CRE position file at **B32.1** w/o/e for completeness check (refer also to **B32.2** – **B32.3** for more details). Further, on a monthly basis Product Control will receive a file from TriMont (export tab –**B32.A1 4/**), as this file contains additional data per position which is not maintained in Lehman's books and records. EY obtained TriMont Servicer Export (**B32.A5**) from the original email from Micah Warner at Trimont to independently confirm these balances to the Export tab used in the pricing model at 2.29.08. EY auditor agreed Retreat at Speedway senior debt amount, maturity, current property value, and stabilized property value from the Export to Product Control's pricing file at **B32.A1 4/** without exception.

Next, B-Notes are valued using the Net Present Value Method. The following inputs are used for Net Present Value of B-Notes:

- Discount Note:
  - The discount rate is calculated using a hyper tranching rate calculation versus using a risk free rate plus a spread. EY noted that hyper tranching is where each rated loan is further broken down into tranches, with Moody's determining the percentage of that loan which would be broken down into each tranch. Refer to **B32.C2** for further details on hyper trancing.

- Adjusted Term * 12 months:
  - Represents the number of payments that will be made over the life of the loan.
- Coupon Rate:
  - Represents the rate at which the bond will pay interest payments
- Outstanding Balance:
  - Represents the balance of the B-Note loan, on which interest payments will be calculated on.

Lehman will then calculate the capped market receipts. Lehman takes a conservative approach and will calculate the capped market receipt by taking the lesser of the NPV or the B-Note Balance. For purposes of the walkthrough EY auditor notes that the B-Note balance was $9,280,030 and the NPV was $9,836,935. Thus, the market capped receipts for 1133 Westchester was $9,280,030 as the outstanding balance was less than the NPV.

Product Control will then create a variance column, titled "under/(over) valuation." The column is the difference between the market capped receipts and the basis of the B-Note. For purposes of the walkthrough, EY auditor notes that 1133 Westchester was properly marked with product controls NPV equaling the mark per Quest, and thus further investigation was not required.

EY notes that as of Q2 2008, Lehman was actively drawing down the size of their balance sheet. As such, Lehman was able to obtain relevant market quotes to use in their pricing models. EY will continue review sales and will update our understanding of the impact of sales on Lehman's pricing methodology during test of controls and substantive procedures.

Management Review and Evaluation
On a monthly basis, after Product Control has completed its price verification of each of the products discussed above, Product Control meets with Front Office and business management to evaluate the results of price verification and understand variances and determine, which, if any, positions require additional remarking based on Product Control's price verification results. Any remarkings are made directly in Quest via footnotes. On a monthly basis, Middle Office/ Product Control review Quest adjustments to ensure that P&L has been properly recognized. All significant variances in the price verification process noted by Product Control are presented to management quarterly. **Pricing Packages are reviewed and evaluated by Senior Management quarterly.** (see **B32.4**)

Based on our walkthrough and recalculations for the above position, the controls designed and placed in operation for the pricing model appear reasonable.

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.

Key Controls:
The following key controls have been identified and will be tested as part of our test of control procedures:

- On a monthly basis, Product Control manually price verifies inventory marks booked by Front Office and researches and resolves material variances.
- Population of positions in pricing file is reconciled to Quest to ensure completeness of positions being price verified.
- Pricing Packages are reviewed and evaluated by Senior Management quarterly.

Applicable Key Controls Identified from Other Related Processes:

- Middle Office/Product Control reviews Quest adjustments to ensure P&L has been properly appropriately recognized. (**B11**)
- {B9} Quest automatically feeds DBS
- {B9} Product Control (from the respective product areas) reconciles Quest to DBS on a monthly basis to ensure all P&L has been properly fed between MTS to DBS and MTS to Quest.

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></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"></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></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"></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.