Program Objectives

- Provide information to help you plan your 2016 audits
- Provide a high-level briefing on the activities of standard-setting bodies and regulators
- Discuss common quality issues and tips for avoiding them
- Increase awareness of the resources to help you maintain or improve your audit quality
Today’s Speakers

Heather Acker, CPA  
Partner  
Baker Tilly Virchow Krause, LLP

Erica Forhan, CPA  
Partner  
Moss Adams LLP

John Good, CPA  
Executive Director  
Ernst & Young, LLP

Mary Foelster, CPA  
Director  
AICPA Governmental Auditing and Accounting

Webcast Rules and Protocol

- Membership requirement
- Executive Committee believes that it is important to get leaders of governmental audit practices together at least once a year
- Ask questions…even if we cannot address them all today, we will use them to assist us as we develop future GAQC activities, events, and communications
- Several continuing professional education (CPE) rebroadcasts to be offered
  - The Webcast will also be archived (No CPE)
  - Encourage staff to view either the CPE or No CPE offerings
GAQC Update

- Almost 2,000 member firms representing 50 states, District of Columbia and Puerto Rico

- 29 State Audit Organizations (SAO) have joined to date
  - AK, AR, CA, DE, FL, GA, IA, ID, IL, KY, LA, MA, ME, MI, MN, ND, NH, NM, OH, OK, OR, PA, RI, SD, TX, UT, VA, WI, WV

- Member Firm Coverage in the Federal Audit Clearinghouse Database
  - 91% of federal dollars
  - 61% of number of audits
Member Value and Improving Quality

GAQC Members

Advocacy

Communication (Alerts and Web Events)

GAQC Web Site

Technical Guidance

Resources & Practice Aids

Effect of Current Environment on Governmental Audits
Current Environment – Setting the Stage

Effect of Current Environment on Financial Statement Audits
- Fair value (new for governmental entities/ongoing for not-for-profits)
- Implementation of other new accounting standards for 2016
- Lease accounting
- Continued complexities of auditing governmental pensions
- Possible reductions of federal funding
- Don’t ignore fraud risk
- Governance and accountability/Entity focus on risks
- Measuring effectiveness of not-for-profits
- Cybersecurity challenges

Effect of Current Environment on Single Audits
- Implementation of the audit requirements in Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 (UG or Uniform Guidance)
- Continued challenges with other aspects of Uniform Guidance implementation
  - Transitional issues – testing “old” awards versus “new” awards/incremental funding/pass-through awards
  - Continued uncertainty in some areas (e.g., designing/updating controls, agency differences, etc.)
- Federal Audit Clearinghouse changes coming soon!
  - New Data Collection Form
  - New transparency of single audit reporting packages
Current Environment – Setting the Stage

Effect of Current “Audit Quality” Environment on All Audits

- Enhancing Audit Quality Initiative
- Regulator/Peer Review Scrutiny
  - Upcoming Single Audit Quality Study
  - Quality Control Reviews (QCRs) and Desk Reviews
  - Single audits are a “must select” area in peer review
- Firm Quality Control (QC) focus

Technical Updates
Technical Update Overview

- AICPA
- Government Accountability Office (GAO)
- Single Audits and Uniform Guidance
- Federal Audit Clearinghouse (FAC)
- For-Profit Compliance Audits
- Governmental Accounting Standards Board (GASB) A&A Update
- Financial Accounting Standards Board (FASB) not-for-profit (NFP) A&A Update

AICPA - Auditing Standards Board

- No New Auditing Standards Affecting 2016 Engagements!
- Current/Future Projects of Interest
  - Statement on Standards for Attestation Engagements (SSAE) No. 18, *Attestation Standards: Clarification and Recodification*
    - Issued April 2016 and effective for practitioners’ reports dated on or after May 1, 2017
    - Clarified, converged and restructured in AT-C sections
  - Non-Registered Securities Filings
    - Municipal and other exempt securities
    - Exposure Draft by Summer 2016
AICPA QC Standards

- Emphasis on Statements on Quality Control Standards (SQCS) No. 8
  - Firms must establish a system of quality control
  - Applies to accounting and auditing practices of all CPA firms

- Effectiveness of QC System Directly Impacts the Quality of the Work Product
  - Similar to internal controls over financial reporting
  - Better quality controls help mitigate risks

- Starting in 2016—Enhanced QC focus in Peer Review

- AICPA QC Task Force is in process of updating QC Practice Aid (see later slide)

GAO – *Government Auditing Standards*

- No revisions to *Government Auditing Standards* (Yellow Book) during past year

- GAO Yellow Book Advisory Council Meeting held in April 2016
  - Considering future revisions to the Yellow Book
  - Exposure draft possible later this year
  - Likely to re-look at competency/CPE requirements and independence, among other things

- Auditor’s should focus on independence and nonaudit services and related documentation
Best Practice Tip: Independence Evaluation and Documentation

- **Identify** nonaudit services
  - Meet preconditions
  - Evaluate and document Skills Knowledge and Experience (SKE) of management

- **Assess threats**
  - Consider individually and in the aggregate

- **Document consideration of significant threats**
- **Document your understanding of nonaudit services with the auditee**
  - Apply safeguards when significant threats exist
  - Use AICPA Practice Aid (see resources at end)

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**GAO – Standards for Internal Control (Green Book)**

- *Standards for Internal Control in the Federal Government* (Updated September 2014)
- Written primarily for federal government
  - Leverages the COSO Framework but uses government terms
- The Green Book states that it may also be adopted by state, local, and quasi-governmental entities, as well as NFP organizations, as a framework for an internal control system
Single Audits – Uniform Guidance

- **Information auditors need to understand for single audits done under Uniform Guidance**
  - Effective Dates/Transition Issues
    - Much confusion in practice
  - Agency Implementation Status
  - Audit Requirements in the Uniform Guidance
  - Audit Quality Study Coming!

**Federal Agencies**
Implement policies and procedures by promulgating regulations to be effective December 26, 2014

**Non-federal entities**
Implement the new administrative requirements and cost principles for all new Federal awards made on or after December 26, 2014, and to incremental funding made after that date

**Audit requirements**
Effective for audits of fiscal years beginning on or after December 26, 2014
- Not permitted to early implement any of the audit provisions

Single Audits - Effective Dates are Key!
Best Practice Tip: Understand Who Follows What Rule!

**Auditees**
- Old Awards = Old Cost Principles and Administrative Requirements (e.g., OMB Circulars A-87, A-110, A-122, etc.)
- New Awards and incremental funding = Subpart D and E of the Uniform Guidance
- Also, certain sections of Subpart F (e.g., § 200.508, .509, .510, .511, .512)
- Subawards (subrecipients)

**Auditors**
- For performing the audit, Subpart F of the Uniform Guidance
- For purposes of testing compliance, auditors audit against the criteria that the auditee is required to follow (see column to the left)

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**Single Audit - Status of Final Agency Adoption as of 04/18/16**

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<th>Agency</th>
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Best Practice Tip: Understand Whether Agency Differences will Affect Major Program Work

- Auditee needs to determine federal agency differences first since it relates to their compliance
- After determining major programs to test, auditors should determine whether any agency differences will affect audit procedures
  - Use the links on prior slide to review agency adoption
  - Use the information in Appendix VII which describes agency differences at a high level
- A few examples of differences:
  - Department of Defense did not apply the Uniform Guidance requirements to incremental funding
  - HUD does not permit certain costs that would otherwise be allowable under the UG

UG Audit Requirements - Key Sections with Changes

- Audit threshold (200.501)
- Low risk auditee determination (200.520)
- Auditee prepares SEFA (200.510)
- Major program determination based on risk (200.518)
- Compliance Supplement overall format (Appendix XI)
- Testing internal control and compliance (200.514)
- Report (200.515)
- Submitting to Federal Audit Clearinghouse (FAC) (200.512)
- Audit follow-up and corrective action (200.511)
Low-Risk Auditee Status

Key Changes:
- To be considered a low-risk auditee, in each of two preceding periods must have:
  - unmodified opinion(s) on financial statements in accordance with generally accepted accounting principles (GAAP) or basis of accounting required by state law
  - no auditor reporting of going concern
- If state law permits but does not require the non-GAAP basis of accounting, auditee cannot be considered low-risk auditee
- If auditee voluntarily prepares financial statements on a non-GAAP basis of accounting, auditee cannot be considered low-risk auditee

Schedule of Expenditures of Federal Awards (SEFA)

Face of SEFA must now include all federal awards expended including:

- Noncash Assistance
- Loan programs (beginning balance of outstanding loans plus loans disbursed during period plus interest subsidy, cash, or administrative cost allowance)
- Loan guarantee programs
- Amounts passed through to subrecipients for each program
Schedule of Expenditures of Federal Awards (SEFA)

Footnotes to SEFA must include:

- Year-end loan balances
- Whether or not entity used 10% de minimis cost rate
- Significant accounting policies

§200.510 & .512

Best Practice Tip: SEFA Changes

- Understand dual responsibilities for testing SEFA
  - For purposes of providing “in relation to” reporting
  - For purposes of compliance audit and testing major programs
- Understand changes that the UG has made to what is to be contained in the SEFA
- Use disclosure checklist to review auditee’s SEFA
- GAQC nearing completion of 2 updated SEFA Practice Aids
  - Auditee
  - Auditor
- Watch for future GAQC Alert announcing the issuance
Major Program Determination and Risk Assessment

Step 1
• Identify Type A programs

Step 2
• Identify low-risk Type A programs

Step 3
• Identify high-risk Type B programs

Step 4
• Determine major programs to audit

Revised Rules for Considering Large Loan and Loan Guarantees on Type A/B Threshold

The UG modified the guidance for the inclusion or exclusion of large loan or loan guarantee programs

- For purposes of Type A/B threshold calculation, a federal program (or cluster) is only considered a loan program if value of federal awards expended for loans within the program is 50% or more of the total federal awards expended for the program (or cluster)
- When a loan program exceeds four times the largest non-loan program it is considered a large loan program
- If a program is considered a large loan program, it is considered a Type A program and excluded in determining Type A threshold

§200.518(b)(3)
Hurdle Criteria for Low-Risk Type A Programs Have Changed

- Must have been audited as a major program in at least one of the two most recent audit periods; and
- In the most recent audit period, the program must not have had a
  - Modified opinion
  - Material weakness in internal control over compliance
  - Known or likely questioned costs exceeding 5% of total program expenditures

**EMPHASIS POINT:** An entity with strong internal controls and few audit findings will likely have fewer high-risk Type A programs

Identifying Low-Risk Type A Programs

- Ensure audit teams understand that they can no longer consider inherent risk or complexity of Type A programs in their risk assessments
- Only criteria where professional judgment permitted are:
  - Federal and pass-through entity (PTE) oversight
  - Results of audit follow-up
  - Changes in personnel or systems

**Emphasis Point:** Risk assessment of Type B programs is not required if there are no low-risk Type A programs
Rules for Identifying High-Risk Type B Programs Have Changed

- Perform risk assessments on Type B program until high-risk Type B programs have been identified up to at least 1/4 of the number of low-risk A programs

Emphasis Point: If you risk assess and find more high-risk Type B programs than you need, you will have to audit them. Careful planning is needed!

Criteria for Type B Risk Assessment Differs from that for Type A Risk Assessment

- Criteria - Type B Risk Assessment
  - Current and prior audit experience
  - Oversight exercised by federal agencies and PTEs
  - Inherent risk of the federal program
    - Nature and complexity of the program
    - Phase of program in life cycle at federal agency
    - Phase of program in life cycle at the auditee
    - Type B programs with larger federal awards expended would be of higher risk than programs with substantially smaller federal awards expended

§200.519
Determine Major Programs to Audit

- All Type A programs except those identified as low-risk in Step 2 (i.e., high-risk Type A programs)
- All Type B programs identified as high-risk in Step 3 (be careful of this step….see previous slide)
- Such additional programs necessary to comply with percentage of coverage rule
  - If considered a low-risk auditee, then…
    - Minimum = 20.0% of federal awards expended
  - If not considered a low-risk auditee, then…
    - Minimum = 40.0% of federal awards expended

Best Practice Tip: Determining Major Programs

- Use worksheets or computer driven software to assist in making the determination process standardized
- Be sure that programs are aggregated correctly to ensure appropriate Type A/Type B categorization
- Be alert for potential changes to major programs, including Type A/Type B programs, if the SEFA changes between planning and concluding the audit
- Watch for new GAQC Major Program Determination Practice Aid to be issued soon!
Single Audit – 2016 *Compliance Supplement*

- Final 2016 *Compliance Supplement* expected in Spring 2016
- Read [GAQC Alert #298](#) for expected updates
- There are still two Part 3 sections in 2016
  - Section 3.1 for testing awards subject to “old” OMB Circulars
  - Section 3.2 for testing awards subject to UG administrative and cost principle regulations
- Status of Part 6 on Internal Control unclear
- Best Practice! Participate in GAQC Web event on the 2016 Supplement to be held on June 9, 2016, from 1:00 – 3:00 PM; watch for GAQC registration alert

**Best Practice Tip: Using Part 3 of Compliance Supplement**

- Need to understand whether awards are subject to the UG or the “old rules” to determine whether in Part 3.1 or 3.2
- Ask for a client “inventory” of UG and pre-UG awards at the outset of the audit
- Federal awarding documents/subawards are key tools
- Questions regarding the applicable criteria for federal awards should go to agency single audit coordinators or program officials (see Appendix III of *Compliance Supplement* for contact information)
Internal Control
– Auditee Responsibility

The non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award.

Internal controls should be in compliance with guidance in:
- “Standards for Internal Control in the Federal Government” [Green Book] issued by the Comptroller General of the United States, and
- the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Use of “should” in Uniform Guidance indicates a “best practice” and is not a presumptively mandatory requirement.

Council on Financial Assistance Reform (COFAR) Clarification

COFAR Frequently Asked Question (FAQ) .303-3 provides clarification
- Reiterates that nonfederal entities must have effective internal control
- No expectation or requirement that nonfederal entity document or evaluate internal controls prescriptively in accordance with the Green Book or the COSO integrated framework
- No requirement to reconcile to Green Book or COSO
- Nonfederal entities and their auditors need to exercise judgment in determining the most appropriate and cost effective internal control in a given environment or circumstance to provide reasonable assurance for compliance with federal program requirements
Auditor Responsibility for Compliance and Internal Control Over Compliance

- Generally responsibilities stay the same under the UG
- However, effective date of UG and transition to UG will affect testing (old awards versus new awards)
- Auditee internal control changes may introduce challenges
  - Part 6, Internal Control, of the OMB Compliance Supplement
- Effect of agency differences in implementation of UG need to be considered (see earlier slides)

Auditor Testing of Compliance and Internal Control Over Compliance

- **Internal Control over Compliance Testing**
  - Identify UG awards
  - Understand any changes in internal control over compliance systems due to the UG guidance in areas such as:
    - Procurement
    - Subrecipient monitoring
    - Allowable costs
  - Sampling considerations
- **Compliance Testing**
  - Likely to take several years for “old” funding to run out
  - Challenges related to funds received by subrecipients from PTEs
  - No separate samples needed for “old” and “new” funding
What about Part 6 of the OMB *Compliance Supplement*?

- Part 6 of the 2015 *Compliance Supplement* consists of broad references and links to both the Green Book and COSO
- Part 6 has historically included more detailed guidance as a tool for auditors (and auditees)
- Look for OMB to enhance Part 6 again in some future edition of the Supplement
- Keep in mind the UG “must” requirement:
  - The non-federal entity must establish and maintain effective internal control …..

A Word About Pass-Through Entities and Subrecipients

- Transition to UG is causing challenges
- PTE responsibilities have increased under the UG with regard to subaward requirements and subrecipient monitoring
  - Some PTEs may not have been prepared
  - Auditors of PTEs should focus on this area and develop findings if there is noncompliance
- Lack of PTE preparedness makes for challenges at the subrecipient level
  - For example, subawards may be lacking key information
Report Wording Changes

- No UG changes needed in the Yellow Book report
- No significant changes to single audit reporting
  - References to “OMB Circular A-133” in report changed to “Uniform Guidance”
  - Management responsibility paragraph now refers to “federal statutes, regulations, and the terms and conditions of federal awards”
- Do not get creative with audit reports
  - Use the examples in the AICPA Audit Guide, Government Auditing Standards and Single Audits
  - FAC has reported seeing incorrect reports that refer to both A-133, Uniform Guidance, and old and new cost principles

UG Finding Elements

$200.516$
Be Prepared for Unexpected Consequences in Early Years of UG

- Auditees may change/revise internal controls which could require more auditor work in initial years
- Limited auditor judgment on inherent risk for Type A programs
  - May “lose” Research and Development cluster and Student Financial Assistance cluster
- May have to test more Type B programs
- Audit testing may increase due to the transitional issues associated with older awards and newer awards
- Inadequate UG planning by clients AND auditing programs not audited before may lead to additional findings

Consider Changes Needed to Prior Audit Documentation Approaches

- Beware of SALY (same as last year)
- If you use third-party audit programs, consider timing of updates
- If use electronic means to determine major programs, make sure software updated
- Consider how sample testing will be documented when there are older and newer awards
- When documenting and reporting compliance findings, consider effective dates of UG and use the right criteria in describing the finding
FAC Data Collection Form (DCF) Developments

■ Current DCF used for Circular A-133 audits (audits before 12/31/15 year-ends)

■ Requirements for finding numbers and text searchable, unlocked, and unencrypted submissions became effective starting in January 2015
  • FAC reports very few problems reported with requirement for 85% text searchable, unlocked, and unencrypted submissions

FAC Data Collection Form (DCF) Developments

■ OMB issued Federal Register notice in December 2015 to revise DCF for audits performed under Uniform Guidance (audits performed for 12/31/15 year-ends and later)
  • Final DCF not expected for at least several months
  • OMB must provide another 30-day window for public comment on changes made to the DCF as a result of first exposure
  • FAC expected to issue an extension on its Web site for UG only

■ Uniform Guidance provides the authority for the FAC to make reporting packages public
  • Should begin occurring later this year
  • Public information will include auditor’s reports and Schedule of Findings and Questioned Costs
Best Practice Tips to Avoid DCF Errors

- Review DCF thoroughly before it is submitted
- Avoid these common specific issues (some broadly discussed previously)
  - DCF doesn’t indicate some or all of the programs in a cluster were audited as major
  - All lines on DCF with same CFDA # not marked as audited as major
  - Type A/B threshold on DCF doesn’t match threshold in SFQC
  - Amounts on DCF do not agree with SEFA
  - Inconsistency between federal awards and audit findings tabs
  - Identifies that a program-specific audit was performed when a single audit was performed

Key Point
Audit reports = SFQC = DCF = Documentation

Single Audit Quality Study

- UG requirement for a federal study of quality once every 6 years beginning in 2018
- Statistically reliable estimate of the extent that single audits conform to applicable requirements, standards, and procedures
- Results of reviews must be made public
- Start out on the right foot with UG and all of its requirements
What Auditors Must Get Right

- Yellow Book Independence Evaluation and Documentation
- Engagement Team Selection
- Acceptance and Continuance of Single Audit Engagements

- Major Program Determination, Percentage of Coverage, SEFA
- IC Over Compliance and Compliance Testing (Including Sampling)
- Documentation, Documentation, Documentation

- Correct Reporting
- Correct Reporting of Audit Findings in Both Single Audit Reporting and the DCF

A Well-Informed and Prepared Client Likely Leads to Better Audit!

- Assist clients with UG Training
- Make clients aware of recent GAQC Archived Web event, *Preparing for a Single Audit: An Auditee Perspective*
  - Assists auditees in the very important role they play in the single audit process under the Uniform Guidance
- Suggest clients use the [GAQC Auditee Resource Center](#)
  - Includes document titled, *Procuring Governmental Audit Services*, which focuses in part on hiring a quality auditor
Final Single Audit Best Practice Tips

- Ensure understanding of UG effective dates and requirements
- Focus QC systems on areas that the prior quality study showed to be problematic:
  - Major program determination
  - Understanding and testing internal control
  - Use of Compliance Supplement and compliance testing
  - Schedule of Expenditure of Federal Awards (SEFA) requirements
  - Ensuring adequate audit documentation
  - Single audit reporting
  - Writing findings
  - DCF requirements
- Watch recent GAQC Web event, Avoiding Common Deficiencies in Yellow Book and Single Audits
- Pay attention to deficiency listings from AICPA Peer Review and Ethics teams
- Use your GAQC membership and refer to its resources!

2016 AICPA Audit Guide, Government Auditing Standards and Single Audits

- Expected in early July in E-book and late July in paperback
- Changes expected for this year:
  - Guide will go back to two Parts: (1) Government Auditing Standards Audits; and (2) Uniform Guidance Audits
  - Clarifications made to certain information contained in prior year’s edition
  - Each chapter in Part II of the guide continues to have a “Transition Considerations” section
- Once available, order at: www.cpa2biz.com
For-Profit Compliance Audits - HUD

HUD Consolidated Audit Guide

- Chapter 6, Ginnie Mae Issuers of Mortgage-Backed Securities Audit Guidance. Update issued in February 2016
  - The transmittal letter indicates that changes to chapter were made to reflect changes in Ginnie Mae's net worth, liquidity, insurance, and reporting requirements
  - The updated chapter was effective upon issuance.
- FHA-Approved Lender Update
  - NEW! FHA Single Family Housing Policy Handbook (4000.1) – Final issued in March 2016 (however, pieces of the guidance were issued during 2015)
  - Changes have various effective dates, with the first effective dates being in September 2015
  - Relevant updates to Chapter 7, FHA-Approved Lenders Audit Guidance, of the HUD Guide in process

For-Profit Compliance Audits - Department of Energy (DOE)

Audit guidance for for-profit entities is now included at 2 CFR section 910.501-528 which supersedes the previous and separate DOE audit guidance

- Effective for audits of periods beginning on or after December 26, 2014 (Policy Flash 2016-12)
- Some of the key changes in DOE audit regulations
  - Audit each DOE award or cluster of awards ≥ $ 750,000
  - OMB Compliance Supplement is referred to in the audit regulations as the framework for compliance testing rather than the previous DOE Compliance Supplement
  - Reporting on the Schedule of Expenditures of DOE Awards in relation to the financial statements (if a financial statement audit is performed) may be performed in accordance with AICPA or PCAOB standards (Policy Flash 2016-16)
GASB Statements Affecting 2016 Audits

- **Fair Value (GASB 72)**
  - Effective for periods ending 6/30/16
  - Auditees need to assess what assets meet the definition of investment and level all investments
  - Significant revisions to investment chapter in AICPA Audit and Accounting Guide, *State and Local Governments*

- **Untrusted Pension Plans (GASB 73)**
  - Effective for pension assets for periods ending 6/30/16
  - Effective for employer pension reporting for periods ending 6/30/17
  - Extends accounting and financial reporting requirements, with modifications, to all pensions

GASB Statements Affecting 2016 Audits

- **Tax Abatement Disclosures (GASB 77)**
  - Effective for periods ending 12/31/16
  - Auditees need to determine whether have abatements to disclose

- **External Investment Pools (GASB 79)**
  - Effective for periods ending 6/30/16 (except for certain provisions which are effective for periods ending 12/31/16)

- **Implementation Guide 2015-1**
  - Effective for periods ending 6/30/16
Governmental Pensions Continue to be a Focus

- Chapter added to 2015 Audit and Accounting Guide, State and Local Governments
- AICPA State and Local Government (SLG) Expert Panel follow-up article, Emerging Pension Issues
- GASB issued Statement No. 82, Pension Issues
  - Auditors should understand which of the numerous pension standards apply to auditees
- GAQC held a follow-up GAQC Web event, The Continued Complexities of Auditing Governmental Pension Plans and Participating Employers
- Pension Issues & Resource Page of GAQC Web site is the “go to” place to find information
- Review archived GAQC pension Web events

GASB Standards on the Horizon

- Other Postemployment Benefits (OPEB)
  - GASB 74 (Plans) – effective for periods ending 6/30/17
  - GASB 75 (Employers) – effective for periods ending 6/30/18
  - SLG Expert Panel considering what OPEB guidance needed
- Blending Requirements
  - GASB 80 – effective for periods ending 6/30/17
  - Applies to component units organized as NFPs in which the primary government is the sole corporate member
- Irrevocable Split-Interest Agreements
  - GASB 81 – effective for periods ending 12/31/2017
  - Narrow in scope, but will change the accounting for split-interest agreements
- Implementation Guide 2016-1
  - Effective for periods ending 6/30/17
GASB Active Agenda

- **Certain Asset Retirement Obligations**: Exposure Draft (ED)
- **Fiduciary Activities**: ED
- **Leases**: ED
- **Certain Debt Extinguishments Using Existing Resources** – ED in Q3 2016
- **Financial Reporting Model** – Preliminary Views or Invitation to Comment in Q4 2016
- **OPEB Q&A** – ED in Q4 2016 (Plan) and Q2 2017 (Employer)

Other SLG Updates

- **AICPA Audit and Accounting Guide, State and Local Governments** – 2016 Edition
  - Fair value guidance (significantly revised chapter)
  - Other additions (GASB 72, 73, 76, 79)
  - Don't forget about new pension chapter issued in 2015 edition
  - Mid-Summer Availability; order at [www.cpa2biz.com](http://www.cpa2biz.com)
- **Upcoming GAQC Web event**, *2016 State and Local Government Audit Planning Considerations, on May 18, 2016*
  - Replacing annual “printed” Audit Risk Alert for SLGs
- **GASB Matters Section** of GAQC Site
  - Access to Comment Letters
  - Pension Issues Article
NFP Audits – A Few 2016 Reminders

- Revenue Recognition and Leases
- FASB ASU 2016-01 on Equity Investments and Financial Liabilities
- FASB ASU 2015-07 on Disclosures for Investments in Certain Entities That Calculate Net Asset Value per Share (or Its Equivalent)
- FASB ASU 2015-03 on Debt Issuance Costs
- FASB ASU 2015-01 on Extraordinary and Unusual Items
- FASB ASU No. 2014-15 on Going Concern
- FASB ASU No. 2014-08 on Reporting on Discontinued Operations

NFP Reporting Model Reexamination

- FASB is re-deliberating model in two phases
  - PHASE 1
    - Net Assets Classification
      - Combining permanently restricted net assets and temporarily restricted net assets
      - Underwater endowments
      - Disclosures
    - Expenses
      - Report all expenses in natural and functional and in one location
      - Disclosures
    - Statement of Cash Flows
      - Retain option on direct and indirect
NFP Reporting Model Reexamination

- FASB is re-deliberating model in two phases – PHASE 2
  - Reconsideration of other proposed changes that are likely to require more time to resolve because they involve consideration of alternatives suggested by stakeholders that the FASB did not previously consider or are related to similar issues being addressed in other projects.

Other NFP Updates

  - Updates primarily for various FASB ASUs
  - Order at www.cpa2biz.com

- 2016 AICPA Audit Risk Alert, *Not-for-Profit Entities Industry Developments*

- AICPA Web Event, *Not-for-Profit Entities: 2016 Audit & Accounting Issues*
  - May 26, 2016 (2 - 4pm Eastern)
AICPA Governmental Audit Quality Initiatives

Enhance Audit Quality (EAQ)
6-Point Plan to Improve Audits

Pre-licensure
Next version CPA Exam; AP course; changes to accounting education; additional doctoral-level audit professors with practical experience

Enforcement
Aggressive investigation of all referrals of deficiencies; enhanced coordination with state boards; reinforced rules on due care

Practice Monitoring of the Future
Near real-time, ongoing monitoring of firm quality checks using robust technological platform

Peer Review
Focus on greater risk industries or areas; more significant remediation; root cause analysis; termination from peer review after repeat quality issues

Standards and Ethics
Quality control standards implementation; evaluation of clarified standards implementation; auditor’s report revisions; ethics codification

CPA Learning and Support
Competency models for audits, competency assessment tools, targeted resources; certificate programs

Audit Quality Center resources, tools and training; CPEA; audit guides, risk alerts and practice aids
AICPA Practice Aid on
Maintaining a System of Quality Control

Free Practice Aid at

Presents four hypothetical firms:
• a multi-office firm;
• a single-office firm;
• a sole practitioner; and
• a firm organized in an alternative practice structure.

Coming Summer 2016 – Revised tool to help develop QC document

Changes in Peer Review Affecting Governmental Audits

• What Peer Review is Doing
  • Increased peer reviewer qualifications
  • All governmental audit reviewers must be GAQC members (effective 12/31/2015)
  • Annual governmental audit-specific education requirements for team and review captains (effective May 1, 2016); must be within twelve months prior to the commencement of a review
  • Expedited remediation and removal of poor performing reviewers
  • Focusing on high risk engagements, industries and areas
  • Reduced consecutive non-passing reports
  • Failure to report engagements is grounds for termination

• Peer Review Expert Oversight Program
  • Looked at engagements that were already peer reviewed
  • Experts – 44% non-conformity vs. Reviewers – 8% non-conformity
  • More oversights coming

• What You Can Do - Become a peer reviewer
Peer Review High Risk Areas

- Evaluation of independence as it relates to nonattest services provided
  - Particularly with respect to sufficiency of the client's skills, knowledge and experience (SKE) to oversee the services.
- Sufficiency of audit evidence, in particular sampling, risk assessment, and internal controls
- Employee Benefit Plans, including ESOPs and government pensions
- Municipal security issuers
- Single Audit
- Crowdfunding

Single Audit Exam-Based Certificates

- Individual single audit certificates based on UG requirements
- Offered at intermediate and advanced levels
- Intermediate exam NOW AVAILABLE at http://sacert.aicpastore.com/
- Advanced exam available in early May
- Passing exam results in a digital certificate
- AICPA offering learning options aligned with exam content
- Participants can opt to take the exam(s) without the learning options
- Participants do not have to take intermediate exam in order to take advanced exam(s)
- More information available in the webcast handouts or at FAQ link
AICPA Competency Framework: Governmental Auditing (competency.aipca.org)

- Designed to help CPAs understand the knowledge and skills necessary to perform high-quality governmental audit engagements.
- “Knowledge checks” help you identify growth areas, and recommend learning resources such as reports, self-study courses, publications, webcasts and more to bolster your competency.

GAQC and Other AICPA Resources
# GAQC Resources

- **GAQC Web site** ([www.aicpa.org/GAQC](http://www.aicpa.org/GAQC))

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## GAQC Resources – GAQC Alerts

Archived Alerts ([click here](http://www.aicpa.org/GAQC) to access)

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<th>Alert No.</th>
<th>Alert Date</th>
<th>Alert Description</th>
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<td>304</td>
<td>March 17, 2016</td>
<td>Register for Required 2016 GAQC Annual Update Webcast on April 19, 2016</td>
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<tr>
<td>303</td>
<td>March 15, 2016</td>
<td>Single Audit Fundamentals Rebroadcast, HUD News, and Learning Opportunities</td>
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<td>302</td>
<td>February 25, 2016</td>
<td>Register for Audit Quality Web Event on March 22nd</td>
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<td>301</td>
<td>February 17, 2016</td>
<td>Single Audit Certificate Programs: Data Collection Form Comments Issued, GAQC Volunteer Opportunities</td>
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<td>300</td>
<td>February 2, 2016</td>
<td>Register for Auditing Governmental Pensions Web Event on February 24th</td>
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<td>299</td>
<td>January 7, 2016</td>
<td>Register for Internal Control Web Event on February 4th</td>
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<td>298</td>
<td>December 22, 2015</td>
<td>2016 Compliance Supplement Available for Comment</td>
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<td>297</td>
<td>December 16, 2015</td>
<td>Register for Auditee Single Audit Preparation Web Event on January 14th</td>
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<td>296</td>
<td>December 9, 2015</td>
<td>DCF Changes Proposed and FAC Update</td>
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<td>295</td>
<td>December 18, 2015</td>
<td>Upcoming Membership Compliance Questionnaire and CPE Opportunities</td>
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<td>294</td>
<td>November 25, 2015</td>
<td>Federal Audit Clearinghouse Reopens and Update on GASB Pension Matte</td>
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<td>293</td>
<td>November 17, 2015</td>
<td>GAQC Single Audit Fundamentals Series to be Rebroadcast on December 3rd and 4th</td>
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<td>292</td>
<td>November 11, 2015</td>
<td>Register for New Uniform Guidance Audit Requirements December 10th Web Event</td>
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<td>291</td>
<td>October 28, 2015</td>
<td>HUD Issues Additional Extension for FASS Submissions</td>
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<td>290</td>
<td>October 30, 2015</td>
<td>FAC Further Extends Submission Deadline</td>
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<td>289</td>
<td>October 13, 2015</td>
<td>New Pension Implementation Guidance and Governmental Audit Competency Resources</td>
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<tr>
<td>288</td>
<td>October 7, 2015</td>
<td>Register for Single Audit Fundamentals Series</td>
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</tbody>
</table>
GAQC Resources – Web Events

Click here to see all archived events organized in topic order and click here to see all in chronological order.

<table>
<thead>
<tr>
<th>Date</th>
<th>Topics</th>
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<td>3/22/2016</td>
<td>Avoiding Common Deficiencies in Yellow Book and Single Audits</td>
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<tr>
<td>2/24/2016</td>
<td>The Continued Complexities of Auditing Governmental Pension Plans and Participating Employers</td>
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<tr>
<td>2/4/2016</td>
<td>Internal Control: COSO, the Green Book, and More</td>
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<tr>
<td>1/14/2016</td>
<td>Preparing for a Single Audit: An Auditee Perspective</td>
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<tr>
<td>12/10/2015</td>
<td>Now is the Time for Auditors to Get Ready for the Uniform Guidance Audit Requirements</td>
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<tr>
<td>11/13/2015</td>
<td>Part 4: Overview of Single Audit Reporting Requirements and Available Resources</td>
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<td>11/6/2015</td>
<td>Part 3: Understanding and Testing Compliance Requirements and Related Internal Control over Compliance</td>
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<tr>
<td>10/30/2015</td>
<td>Part 2: The Mysteries of Major Program Determination and an Overview of the OMB Compliance Supplement</td>
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<tr>
<td>10/14/2015</td>
<td>Sampling in a Single Audit Environment</td>
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<td>9/15/2015</td>
<td>Revenue Recognition in a State and Local Government Environment</td>
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<td>6/10/2015</td>
<td>2015 OMB Compliance Supplement and Single Audit Update</td>
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<tr>
<td>5/20/2015</td>
<td>Audits of State and Local Governments: Common Risk Factors and Related Audit Responses</td>
</tr>
<tr>
<td>4/28/2015</td>
<td>Required 2015 GAQC Annual Webcast Update</td>
</tr>
</tbody>
</table>

Upcoming “Summer Fun” Rebroadcast Week (all times Eastern/Watch for GAQC Alert)

- **Tuesday, June 21, 2016**
  - 1pm - 3pm – The Continued Complexities of Auditing Governmental Pension Plans and Participating Employers

- **Wednesday, June 22, 2016**
  - 11am - 1pm – Revenue Recognition in a State and Local Government Environment
  - 1pm - 3pm – Now is the Time for Auditors to Get Ready for the Uniform Guidance Audit Requirements

- **Thursday, June 23, 2016**
  - 11am -1pm – Sampling in a Single Audit Environment
  - 1pm - 3pm – 2016 State and Local Government Audit Planning Considerations

- **Friday, June 24, 2016**
  - 11am - 1pm – Avoiding Common Deficiencies in Yellow Book and Single Audits
  - 1pm - 3pm – 2016 GAQC Annual Update Webcast
GAQC Yellow Book Resources

- GAQC Practice Aid, *2011 Yellow Book Independence—Nonaudit Services Documentation Practice Aid*

- Archived GAQC Web Events:
  - *Avoiding Common Deficiencies in Yellow Book and Single Audits*
  - *The Yellow Book: A Hodgepodge of Related Topics From a Practitioners Perspective*
  - *Understanding the AICPA’s Yellow Book Independence Practice Aid for Performing Nonaudit Services*

- GAQC *Government Auditing Standards Tools and Aids* Web Page

GAQC Archived Events on the Uniform Guidance

- GAQC archived UG Web events
  - *Uniform Guidance for Federal Awards: The New Cost Principles, Time and Effort Reporting, Procurement and Other Administrative Requirements*
  - *Uniform Guidance for Federal Awards: How Clients will Need to Monitor Subrecipients Going Forward*
  - *Preparing for a Single Audit: An Auditee Perspective*
  - *Single Audit Fundamentals 4-Part Series* (8 hours)
  - *Now is the Time for Auditors to Get Ready for Uniform Guidance Audit Requirements*
  - *Internal Control: COSO, the Green Book, and More*
  - *Sampling in a Single Audit Environment*
  - *Avoiding Common Deficiencies in Yellow Book and Single Audits*
GAQC Resources for Other For-Profit Compliance Audits

- **Other Compliance Audit Information Page** of GAQC Web site
- **GAQC HUD Information page** of GAQC Web site
  - Archived Web events, *The HUD Consolidated Audit Guide Part I: For-Profit Multifamily Housing Audits*, and *The HUD Consolidated Audit Guide Part II: Lender Audits*.

Other GAQC Resources

- **Illustrative Auditors Reports**
  - Single Audit, Yellow Book, HUD
- **GASB Matters**
  - Key Interest Areas (*Pension Issues & Resources*)
    - Recent Whitepapers related to Cost-Sharing Plans, Auditing Interpretations, Additional Pension Resources
  - Key Resources & Advocacy Efforts
- **QC Tools**
  - *Tips for Getting Through a Quality Control Review*
  - *Peer Review Checklists*
  - *Practice Aid - Establishing and Maintaining a System of Quality Control*…
- **Marketing Toolkit for Member Firms & Logos**
  - Common document templates such as, Newsletters, Press Releases, etc.
  - Training on how to build a niche practice
  - *Membership Listings*
AICPA NFP Resources

- **NFP Resources**
  - **AICPA Not-for-Profit Section** – For individuals interested in NFP accounting and auditing
    - View the complete NFP Section 2016 webcast calendar
  - **AICPA Not-for-Profit Certificate Program** – On-demand learning program

AICPA Resources

- **Audit and Attest Section** of AICPA Web Site
- **AICPA Accounting and Auditing Technical Hotline** (877) 242-7212 - techinquiry@aicpa.org
- **Competency and Learning** on the AICPA Web Site
- **AICPA Enhancing Audit Quality** Web site
- **Peer Review Section** of AICPA Web Site
- **Ethics Section** of AICPA Web Site
  - AICPA - Yellow Book (GAGAS) Independence Rules Comparison (updated June 2015)
  - AICPA Professional Ethics, Most Frequent Violations of Professional Standards: Government and Not-for-Profit Investigations (Issued April 2015)
  - Ethics Hotline - ethics@aicpa.org or 888.777.7077
AICPA 2016 Conferences

- **AICPA 2016 Conferences**
  - [AICPA Not-for-Profit Industry Conference](#), June 27 - 29, 2016, Gaylord National Resort & Convention Center, National Harbor, MD
  - [AICPA National Governmental Accounting and Auditing Update Conference](#), August 8 – 10, 2016, Capital Hilton, Washington, DC
  - [AICPA National Governmental and Not-for-Profit Training Program](#), October 17 – 19, 2016, Las Vegas, NV

- All conferences have extensive sessions offerings on governmental auditing topics, some of which were developed with assistance from the GAQC
- GAQC members can obtain a registration discount – click on this link

Other Resources
GAO Resources

- Yellow Book Web Page
- GAO Guidance on Requirements for GAGAS CPE (http://www.gao.gov/assets/80/76894.pdf)
- GAO hotline; yellowbook@gao.gov or (202) 512-9535
- Green Book Web Page

Accessing Key Single Audit-Related Information

- Uniform Guidance codified in Title 2 of CFR, Subtitle A, Chapter II, Part 200
- How to Access the UG
  - Electronic Code of Federal Regulations (e-CFR) version
- OMB Federal Financial Management Web site
  - Access Compliance Supplement
  - Various additional UG related documents at: http://www.whitehouse.gov/omb/grants_docs
  - Office of Federal Financial Management Web page
- Access COFAR guidance including Frequently Asked Questions (FAQ), archived webcasts, and other information
  - Visit https://cfo.gov/COFAR/ for all resources
- Federal Audit Clearinghouse
Looking Forward

Advocacy
- Continue seeking clear guidance on UG and implementation, Quality Study, FAC efforts, HUD, etc.

Single Audit
- UG technical updates, UG Practice Aids and tools, new single audit certificate, and related CPE

GASB Pensions
- Continued implementation assistance, articles, publications

Emphasis on Improving Quality
- Work collaboratively with EAQ team, peer review, ethics, and federal agencies

Continued Support to Members
- GAQC Alerts, GAQC Web events, tools, resources, articles, etc.

GAQC Contacts

**AICPA Staff**

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  - Teresa Bordeaux tbordeaux@aicpa.org
  - Laura Hyland lhyland@aicpa.org
Questions ???

How do I get my CPE certificate?

Access your CPE certificate by clicking this orange icon.

- If at the end of this presentation you are eligible for but unable to print your CPE certificate, please log back in to this webcast in 24 hours and click the orange “Get CPE” button. Your certificate will still be available.

- If you need assistance with locating your certificate, please contact the AICPA Service Center at 888.777.7077 or service@aicpa.org.
Thank You for Attending!