



Memorandum

Date: November 7, 2018

To: GAO's Financial Management and Assurance Team (FMA)
Council of the Inspectors General on Integrity and Efficiency
Financial Audit Community

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Subject: *Professional Standards Update* No. 71, July 2018 through September 2018

In order to alert you to changes in professional standards, we issue *Professional Standards Updates* (PSU). The purpose of these updates is to highlight the issuance and some key points of recent standards. PSUs do not contain a complete summary of the standards. Those affected by a new standard should refer to that standard for details.

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Professional Standards Update No. 71

Table of Contents

Auditing and Attestation Standards and Guidance	5
American Institute of Certified Public Accountants (AICPA)	5
<i>Statements on Auditing Standards</i>	5
<i>Statements on Standards for Attestation Engagements</i>	5
<i>AICPA Professional Standards</i>	5
<i>Audit Risk Alerts</i>	5
<i>Other Guidance</i>	5
Regulatory Requirements	6
Office of Management and Budget (OMB)	6
<i>Circulars and Guidance - listed only</i>	6
<i>Memorandums - listed only</i>	6
<i>Bulletins</i>	7
Department of the Treasury (Treasury)	7
<i>Treasury Financial Manual (TFM)</i>	7
<i>Treasury Bulletins</i>	8
Accounting Standards and Guidance	8
Federal Accounting Standards Advisory Board (FASAB)	8
<i>Statements, Technical Releases, and Technical Bulletins</i>	8
Financial Accounting Standards Board	9
<i>Accounting Standards Updates (listed only)</i>	9
Government Accounting Standards Board (GASB)	9
<i>Statements</i>	9
Internal Audit Guidance	10
Institute of Internal Auditors (IIA)	10
<i>Supplemental Guidance</i>	10
<i>IIA Implementation Guides</i>	10

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Auditing and Attestation Standards and Guidance

American Institute of Certified Public Accountants (AICPA)

Statements on Auditing Standards ([Click here for link](#))

AICPA did not issue statements or other relevant material during the period covered by this *Professional Standards Update*.

Statements on Standards for Attestation Engagements ([Click here for link](#))

AICPA did not issue statements or other relevant material during the period covered by this *Professional Standards Update*.

AICPA Professional Standards ([Click here for link](#))

U.S. Attestation Standards — AICPA (Clarified) [AT-C] (September 2018)

This update revises AT-C appendix A, *AICPA Guides and Statements of Position*.

Code of Professional Conduct [ET] (July 2018)

This update revises the definition of “covered member” (ET sec. 0.400.12) and revises the following interpretation: “Agreed-Upon Procedure Engagements Performed in Accordance With SSAEs” (ET sec. 1.297.020) under the Independence Rule (ET sec. 1.200.001).

Code of Professional Conduct [ET] (September 2018)

This update also revises the “Hosting Services” interpretation (ET sec. 1.295.143) under the Independence Rule to extend the effective date from September 1, 2018, to July 1, 2019.

Audit Risk Alerts ([Click here for link](#))

AICPA did not issue audit risk alerts or other relevant material during the period covered by this *Professional Standards Update*.

Other Guidance ([Click here for link](#))

Audit Risk Assessment Tool (July 2018)

This guide revises the Audit Risk Assessment Tool. The Audit Risk Assessment Tool guides an experienced auditor through the risk assessment procedures and documents the decisions necessary to prepare an effective and efficient audit program. It is designed to be used in lieu of cumbersome checklists; it provides a top-down, risk-based approach to identifying high-risk areas to allow for appropriate tailoring of audit programs, which will result in audit efficiencies.

Preparation, Compilation, and Review Engagements (September 2018)

Issued under the authority of the Accounting and Review Services Committee, this guide is for accountants performing preparation, compilation, and review engagements and contains the

most up-to-date guidance, including recently issued Statements on Standards for Accounting and Review Services (SSARS). This edition includes a new chapter on international reporting issues resulting from SSARS No. 24, *Omnibus Statement on Standards for Accounting and Review Services—2018*, which will become effective for periods ending on or after June 15, 2019. This edition also contains some illustrative inquiries for review engagements and more illustrative accountant's reports.

Best Practices in Presentation and Disclosures (September 2018)

This guide is designed to give the auditor information on U.S. generally accepted accounting principles (U.S. GAAP) disclosures. Updated based on new accounting guidance, this tool provides hundreds of high-quality disclosure examples from selected U.S. companies of different sizes, across industries such as banking, credit and insurance, communication services, and health care. This guide includes illustrations of the most important, immediate, and challenging disclosures, such as derivatives and hedging, consolidations, and fair value measurement. This guide presents up-to-date auditors' reports, fully in compliance with the Clarified Auditing Standards. It also includes key updates for Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, and FASB ASU No. 2016-05, *Derivatives and Hedging (Topic 815): Effect of Derivative Contract Novations on Existing Hedge Accounting Relationships (a consensus of the Emerging Issues Task Force)*.

Regulatory Requirements

Office of Management and Budget (OMB)

Circulars and Guidance - listed only ([Click here for link](#))

OMB Circular No. A-136: *Financial Reporting Requirements* (Revised July 30, 2018)¹

Memorandums - listed only ([Click here for link](#))

M-18-21: *Designation and Responsibilities of Agency Senior Real Property Officers* (July 12, 2018)

M-18-22: *FY 2020 Administration Research and Development Budget Priorities* (July 31, 2018)

M-18-23: *Shifting From Low-Value to High-Value Work* (August 27, 2018)

M-18-24: *Strategies to Reduce Grant Recipient Reporting Burden* (September 5, 2018)

M-18-25: *Modernize Infrastructure Permitting Cross-Agency Priority Goal Performance Accountability System* (September 26, 2018)

M-18-26: *Incentivizing Workforce Participation and Expanding Recruitment Sources for the 2020 Decennial Census* (September 28, 2018)

¹See *Professional Standards Update No.70* for a summary of revisions to this circular.

Bulletins ([Click here for link](#))

OMB Bulletin No. 18-04: *Revised Delineations of Metropolitan Statistical Areas, Micropolitan Statistical Areas, and Combined Statistical Areas and Guidance on Uses of the Delineations of These Areas* (September 14, 2018).

OMB Bulletin No. 18-05: *Apportionment of the Continuing Resolution(s) for Fiscal Year 2019* (September 28, 2018).

Department of the Treasury (Treasury)

Treasury Financial Manual (TFM) ([Click here for link](#))

TFM Volume III, Part 5, Chapter 1000: *Securing Government Funds on Deposit with a Depository* (July 10, 2018)

This chapter prescribes depository requirements for securing federal agency funds on deposit.

TFM Volume I, Part 6, Chapter 9500: *Revised Federal Financial Management System Requirements for Fiscal Reporting* (July 30, 2018)

This chapter notifies agencies of the revised Federal Financial Management System Requirements.

TFM Volume I, Part 5, Chapter 7500: *Credit Gateway Fedwire and Automated Clearing House (ACH) Credit Deposits to the Account of the Bureau of the Fiscal Service* (July 30, 2018)

This chapter prescribes procedures for nontax Fedwire and ACH credit deposits to Treasury's Bureau of the Fiscal Service's (Fiscal Service) account made through the Credit Gateway.

TFM Volume I, Part 2, Chapter 4700: *Agency Reporting Requirements for the Financial Report of the United States Government* (July 31, 2018)

This chapter prescribes how agencies provide data for the *Financial Report of the United States Government* using the Governmentwide Treasury Account Symbol (GTAS) Adjusted Trial Balance System and the Governmentwide Financial Reports System. It also includes Fiscal Service's closing package methodology, the Federal Intragovernmental Transactions process, and requirements for submitting preclosing GTAS Adjusted Trial-Balance. This chapter does not include all reporting requirements for GTAS. Additional information can be found on the GTAS website.

TFM Volume I, Part 6, Chapter 9000: *Securing Government Deposits in Federal Agency Accounts* (August 3, 2018)

This chapter prescribes federal agency requirements for securing public money on deposit at depositories.

TFM Volume I, Part 4, Chapter 4500: *Government Purchase Cards* (September 21, 2018)

This chapter prescribes procedures for all departments and agencies that use the government purchase card. These procedures include program controls and invoice payments.

TFM Volume I, Part 4A, Chapter 3000: *Requirements for Scheduling Payments Disbursed by the Bureau of the Fiscal Service* (September 21, 2018)

This chapter prescribes requirements for disbursing transactions, as well as scheduling and classifying domestic and international payments that Fiscal Service disburses, as authorized by Treasury.

Treasury Bulletins ([Click here for link](#))

Bulletin No. 2018-09: *Federal Account Symbols and Titles (FAST Book)* (July 13, 2018)

This bulletin notifies agencies that FAST Book has been revised. FAST Book provides the three-digit agency identifier code for the account lists and the two-digit agency identifier code in parentheses after each agency's name for reference.

Bulletin No. 2018-07: *2018 Year-end Closing* (July 31, 2018)

This bulletin provides agencies with guidance for preparing year-end closing reports and other financial reports. It includes required deadlines for agencies to submit fiscal year 2018 financial data to Fiscal Service for timely certification and reporting.

Bulletin No. 2018-08: *Change to Bulletin No. 2018-05, U.S. Standard General Ledger (USSGL) - A Treasury Financial Manual (TFM) Supplement* (August 3, 2018)

This bulletin notifies agencies that Part 1 and Part 2 of the USSGL have been revised for fiscal years 2018 and 2019.

Bulletin No. 2018-10: *Implementing G-Invoicing* (September 20, 2018)

This bulletin outlines the requirements and guidance for Federal Program Agencies (FPA) to implement G-Invoicing by June 30, 2021. The mandate on this date means that all Intragovernmental Payment and Collection (IPAC) transactions for buy/sell activity will require a reference to related and approved G-Invoicing orders for payment or collection. Fiscal Service is considering several options for isolating the buy/sell activity in IPAC to enforce this mandate. Fiscal Service will continue to collaborate with the FPAs to reach an agreed-upon method. As G-Invoicing is being developed and implemented incrementally, FPAs are encouraged to begin leveraging its functionality to ensure that they are positioned to comply with the mandate on June 30, 2021.

Accounting Standards and Guidance

Federal Accounting Standards Advisory Board (FASAB)

Statements, Technical Releases, and Technical Bulletins ([Click here for link](#))

Staff Implementation Guidance 6.1: *Clarification of Paragraphs 40-41 of SFFAS 6, Accounting for Property, Plant, and Equipment, as amended*

This guidance addresses implementation guidance provided in Statement of Federal Financial Accounting Standards (SFFAS) 6, *Accounting for Property, Plant, and Equipment*, as amended. Specifically, it responds to a question raised since the issuance of SFFAS 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35*.

Financial Accounting Standards Board

Accounting Standards Updates (listed only) ([Click here for link](#))

Accounting Standards Update No. 2018-09: *Codification Improvements* (July 2018)

Accounting Standards Update No. 2018-10: *Codification Improvements to Topic 842, Leases* (July 2018)

Accounting Standards Update No. 2018-11: *Leases (Topic 842): Targeted Improvements* (July 2018)

Accounting Standards Update No. 2018-12: *Financial Services—Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts* (August 2018)

Accounting Standards Update No. 2018-13: *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (August 2018)

Accounting Standards Update No. 2018-14: *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans* (August 2018)

Accounting Standards Update No. 2018-15: *Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (a consensus of the FASB Emerging Issues Task Force)* (August 2018)

Government Accounting Standards Board (GASB)

Statements ([Click here for link](#))

GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61* (August 2018)

The objectives of this statement are to improve the consistency and comparability of reporting a government’s majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government’s holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and

term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This statement establishes that owning a majority equity interest in a legally separate organization makes the government financially accountable for the legally separate organization; therefore, the government should report that organization as a component unit.

This statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired 100 percent equity interest in the component unit. In that circumstance, transactions presented in flows statements of the component unit should include only transactions that occurred after the acquisition.

The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The requirements should be applied retroactively, except for the provisions related to (1) reporting a majority equity interest in a component unit and (2) reporting a component unit if the government acquires a 100 percent equity interest. Those provisions should be applied on a prospective basis.

Internal Audit Guidance

Institute of Internal Auditors (IIA)

Supplemental Guidance ([Click here for link](#))

Auditing Insider Threat Programs (August 2018)

This guide helps internal auditors understand insider threats and related risks by providing an overview of common dangers, key risks, and potential impacts. Additionally, this guide defines key terms in the insider threat universe, and presents security frameworks, techniques, considerations, and resources that can help during the planning and execution of audit engagements.

IIA Implementation Guides ([Click here for link](#))

IIA did not issue any implementation guides during the period covered by this *Professional Standards Update*.