



Memorandum

Date: May 21, 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. 69, January 2018 through March 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. 69

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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 in 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 in the period covered by this *Professional Standards Update*.

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

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

This update revises Interpretation No. 4, “Performing and Reporting on an Attestation Engagement Under Two Sets of Attestation Standards,” of AT-C section 105 (AT-C sec. 9105 paras. .31–.37) to reflect the incremental reporting requirements in AT-C section 205, *Examination Engagements*; AT-C section 210, *Review Engagements*; and AT-C section 215, *Agreed-Upon Procedures Engagements*. The revision includes additional illustrative reports for when a practitioner determines that it is most appropriate to use the attestation report format set forth in the Public Company Accounting Oversight Board’s (PCAOB) Interim Attestation Standards adjusted to reflect that the engagement was also performed in accordance with AICPA clarified attestation standards.

U.S. Auditing Standards—AICPA (Clarified) [AU-C] (February 2018)

This update revises AU-C appendix B, Substantive Differences Between the International Standards on Auditing and Generally Accepted Auditing Standards, and AU-C section 610, *Using the Work of Internal Auditors*.

U.S. Auditing Standards—AICPA (Clarified) [AU-C] (March 2018)

This update adds the following interpretation of AU-C section 700, *Forming an Opinion and Reporting on Financial Statements*:

- Interpretation No. 4, “Reporting on Audits Conducted in Accordance With Auditing Standards Generally Accepted in the United States of America and the Standards of the PCAOB.”

The Auditing Standards Board has issued auditing Interpretation No. 4, “Reporting on Audits Conducted in Accordance With Auditing Standards Generally Accepted in the United States of America and the Standards of the PCAOB,” to AU-C section 700 to provide guidance on how an auditor complies with AU-C section 700 in the context of PCAOB AS 3101, *The Auditor’s Report on an Audit of Financial Statements When the Auditor Expresses an Unqualified Opinion*, that the PCAOB adopted and the U.S. Securities and Exchange Commission (SEC) approved. This update also revises AU-C section 700 for conforming changes.

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

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

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

Employee Benefit Plans (February 2018)

This updated guide includes additional information related to issuing the going concern standard, revisions to provide further guidance related to limited-scope audits, and a new illustrative auditor's report for 11-K audits, as well as revisions based on the recodification of the attestation standards.

SOC 2 Reporting on an Examination of Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy (February 2018)

Service Organization Control (SOC 2) reports are designed to allow service organizations to communicate information about their system description in accordance with specific criteria related to availability, security, and confidentiality. This updated guide includes relevant guidance contained in applicable standards and other technical sources. It explains the relationship between a service organization and its user entities, provides examples of service organizations, describes the criteria used to prepare the description of the service organization's system, identifies the trust services criteria to be used for evaluating design and operating effectiveness of controls, explains the difference between a type 1 and type 2 SOC 2 report, and provides illustrative reports for auditors engaged to examine and report on system and organization controls at a service organization. It also describes the matters to be considered and procedures to be performed by the service auditor in planning, performing, and reporting on SOC 2 and SOC 3 engagements.

Not-for-Profit Entities (March 2018)

This updated guide assists the auditor in the unique aspects of accounting and financial statement preparation and auditing for not-for-profit entities (NFP). It includes guidance on financial reporting changes, reporting donated services between affiliated NFPs, split-interest agreements, contributions and grants, functional expenses, and joint costs. The guide also covers Financial Accounting Standards Board Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*.

Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information) (March 2018)

This revised guide includes the addition of illustrative reports for an engagement to review sustainability information submitted to the Dow Jones Sustainability Index (DJSI) or an engagement to examine sustainability information submitted to the DJSI. In each report, the practitioner is reporting on the subject matter, and the conclusion and opinion, respectively, are unmodified.

Employee Benefit Plans (March 2018)

This revised guidance includes the addition of indexes.

Regulatory Requirements

Office of Management and Budget (OMB)

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

OMB Circular No. A-94: *Memorandum, 2018 Discount Rates* (February 2, 2018)

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

M-18-04: *Monitoring and Evaluation Guidelines for Federal Departments and Agencies that Administer United States Foreign Assistance* (January 11, 2018)

M-18-05: *Planning for Agency Operations during a Potential Lapse in Appropriations* (January 19, 2018)

M-18-06: *Status of Agency Operations* (January 20, 2018)

M-18-07: *Reopening Departments and Agencies* (January 22, 2018)

M-18-08: *Guidance on Disaster and Emergency Funding Tracking* (February 2, 2018)

M-18-09: *2018 Discount Rates for OMB Circular No. A-94* (February 2, 2018)

M-18-10: *Status of Agency Operations* (February 8, 2018)

M-18-11: *Reopening Departments and Agencies* (February 9, 2018)

M-18-12: *Implementation of the Modernizing Government Technology Act* (February 27, 2018)

M-18-13: *One Federal Decision Framework for the Environmental Review and Authorization Process for Major Infrastructure Projects under Executive Order* (March 20, 2018)

M-18-14: *Implementation of Internal Controls and Grant Expenditures for the Disaster-Related Appropriations* (March 30, 2018)

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

OMB Bulletin No. 18-01: *Apportionment of Obligational Authority for Necessary Agency Operations in the Absence of Fiscal Year 2018 Appropriations* (January 20, 2018)

OMB Bulletin No. 18-02: *Apportionment of Obligational Authority for Necessary Agency Operations in the Absence of Fiscal Year 2018 Appropriations* (February 8, 2018)

Department of the Treasury (Treasury)

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

TFM Volume I, Part 5, Chapter 2000: *Depositing Domestic Checks and Cash Received in Over the Counter (OTC) Collections* (January 19, 2018)

This chapter prescribes instructions for federal agencies to deposit domestic checks and cash.

TFM Volume II, Part 6, Chapter 3000: *Custody of Gold Certificates, Series of 1934* (March 7, 2018)

This chapter prescribes procedures relating to the custody of Gold Certificates, Series of 1934, formerly issued only to Federal Reserve Banks (FRB) and now unissued, but held by FRBs and others for display purposes.

TFM Volume III, Part 2, Chapter 3000: *Reimbursement of Depositories and Financial Agents* (March 12, 2018)

The Bureau of the Fiscal Service (Fiscal Service) designates certain financial institutions to act as financial agents and depositories of the United States (depositories). This chapter applies to all depositories that perform services for which Fiscal Service reimburses them. The requirements of this chapter supersede all compensation, reimbursement, or bank management requirements in existing TFM chapters, bulletins, announcements, and supplements issued as of the date of this chapter, for depositories whose reimbursement is covered by this chapter.

TFM Volume II, Part 8, Chapter 4000: *Protecting Collateral Pledged by Depositories to Secure Public Money on Deposit* (March 14, 2018)

This chapter provides FRBs with requirements and standard operating procedures for safekeeping, reporting, and monitoring collateral pledged by depositories to secure public money on deposit.

TFM Volume II, Part 8, Chapter 3000: *Liquidation Procedures for Failed Depositories* (March 30, 2018)

This chapter outlines procedures for FRBs and branches to follow when a financial institution falls within the definition of “failed depository” in section 3020.

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

Bulletin No. 2018-02: *Publication of Federal Account Symbols and Titles (FAST Book) I and FAST Book II* (February 23, 2018)

This bulletin notifies agencies that FAST Book I (standard version) and FAST Book II (data-standardization version) have been revised. FAST Book I displays the two-digit department regular code. FAST Book II displays the three-digit agency identifier code.

Bulletin No. 2018-04: *Change to Bulletin No. 2017-06, U.S. Standard General Ledger (USSGL) - A Treasury Financial Manual (TFM) Supplement* (March 21, 2018)

This bulletin notifies agencies that part 2 of the USSGL Supplement has been revised for fiscal year 2018.

Bulletin No. 2018-03: *Implementation of SFFAS No. 47, Reporting Entity, to be effective fiscal year 2018* (March 29, 2018)

This bulletin provides the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards (SFFAS) No. 47, *Reporting Entity*, determinations that the entities received, the Working Group reviewed, and the SFFAS No. 47 Steering Committee approved. The determinations are listed in sections 6, 7, and 8 (Consolidated Entities, Disclosure Entities, and Related Party). Additional Governmentwide Financial Report System reporting guidance is provided for agencies with a determination of disclosure or related party. Transaction guidance is also included for agencies that use the Treasury Account Symbol associated with the disclosure or related party entities.

SFFAS No. 47 was not written to rescind Statement of Federal Financial Accounting Concepts 2, *Entity and Display*, when addressing reporting entities and the criteria for inclusion. SFFAS No. 47 provides is to be used as additional guidance to assist in determining inclusion.

Accounting Standards and Guidance

Federal Accounting Standards Advisory Board (FASAB)

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

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

Financial Accounting Standards Board

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

Accounting Standards Update No. 2018-01: *Leases (Topic 842): Land Easement Practical Expedient for Transition to Topic 842* (January 2018)

Accounting Standards Update No. 2018-02: *Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income* (February 2018)

Accounting Standards Update No. 2018-03: *Technical Corrections and Improvements to Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities* (February 2018)

Accounting Standards Update No. 2018-04: *Investments—Debt Securities (Topic 320) and Regulated Operations (Topic 980): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 117 and SEC Release No. 33-9273 (SEC Update)* (March 2018)

Accounting Standards Update No. 2018-05: *Income Taxes (Topic 740): Amendments to SEC Paragraphs Pursuant to SEC Staff Accounting Bulletin No. 118 (SEC Update)* (March 2018)

Government Accounting Standards Board (GASB)

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

GASB Statement No. 88: *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements* (March 2018).

The primary objective of this statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It clarifies which liabilities governments should include in their note disclosures related to debt. It also defines debt, for purposes of disclosure in notes to financial statements, as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. It requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt. The requirements take effect for reporting periods beginning after June 15, 2018, and earlier implementation is encouraged.

Internal Audit Guidance

Institute of Internal Auditors (IIA)

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

Auditing IT Governance (Updated) (January 2018)

This guide has been updated to reflect the 2017 International Professional Practices Framework and to be more directly practical to internal auditors. This edition provides tools and techniques to help internal auditors build a work program and perform engagements involving information technology (IT) governance.

Coordination and Reliance: Developing an Assurance Map (February 2018)

This guide covers the process of documenting assurance activities to provide an objective and independent assessment on governance, risk management, and control processes for the organization.

Auditing Model Risk Management (March 2018)

This guide provides an overview of key areas related to model risk management, including business significance, regulatory requirements and expectations, and model components.

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

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