



# Memorandum

**Date:** May 3, 2019

**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. 73, January 2019 through March 2019<sup>1</sup>

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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<sup>1</sup>The scope of this *Professional Standards Update* includes standards and related guidance issued from January 2019 through March 2019 to the extent that such materials were publicly available as of March 31, 2019. In preparing this update, we identified certain relevant materials that were issued before January 31, 2019, and we have included them herein.

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# **Professional Standards Update No. 73**

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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](#))

*Code of Professional Conduct [ET]* (January 2019)

This update revises the “Leases” interpretation (ET sec. 1.260.040) under the “Independence Rule” (ET sec. 1.200.001).

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

*Government Auditing Standards and Single Audit Developments – 2018/2019 Audit Risk Alert* (January 2019)

This alert highlights changes for audits performed under the Office of Management and Budget’s *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), focusing on challenging or frequently misunderstood areas. It discusses emerging practice issues and current developments related to entities subject to *Government Auditing Standards* and Uniform Guidance audits, and provides information for identifying significant risks that may affect an audit of entities receiving federal awards. This alert is relevant to accounting firms of all sizes, as well as to not-for-profit entities and other entities receiving federal funds subject to a single audit, in identifying and understanding current developments and emerging practice issues related to their engagements. It also helps management of nonfederal entities understand certain single audit requirements that affect them.

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

*Credit Losses* (January 2019)

On June 16, 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, to amend guidance on reporting credit losses for financial assets held at amortized costs basis and available-for-sale debt securities and create FASB Accounting Standards Codification (ASC) 326, *Financial Instruments—Credit Losses*. Upon the effective date of this ASU, the incurred loss impairment methodology in current generally accepted accounting principles will be replaced with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In response to the issuance of FASB

ASC 326, AICPA organized the Credit Loss Task Force to identify and address accounting implementation issues related to this standard.

This publication addresses accounting implementation issues that the task force identified and provides in-depth coverage of audit considerations from risk assessment and planning to audit execution. Accounting and auditing content will be updated regularly in future editions of this guide as task forces finalize each implementation issue.

Accounting guidance has been reviewed by the AICPA's Financial Reporting Executive Committee, or one of its subcommittees. It includes key accounting provisions of FASB ASC 326 and provides comprehensive coverage of audit considerations specific to the allowance for credit loss transactions, including controls, audit risk, and management estimates.

#### *Revenue Recognition (February 2019)*

This updated guide reflects new and updated industry implementation issues since the last edition and includes guidance on FASB ASUs issued through FASB ASU No. 2018-18, *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606*. It also includes a comprehensive set of indexes.

#### *Employee Benefit Plans (March 2019)*

This updated guide addresses the issuance of FASB ASU No. 2017-06, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting (a consensus of the Emerging Issues Task Force)*, for master trust reporting. It highlights select recent developments in auditing and accounting standards affecting employee benefit plans (EBP). It includes guidance for application of generally accepted auditing standards in an EBP audit and guidance on accounting, reporting, and disclosure for EBP transactions not addressed in FASB Accounting Standards Codification as supported by AICPA's Financial Reporting Executive Committee.

#### *Not-for-Profit Entities (March 2019)*

This updated guide assists the auditor in understanding and implementing recent updates and changes, including those related to financial reporting, grants and contracts, and revenue recognition. It also helps the auditor gain a full understanding of the accounting issues unique to not-for-profit entities.

#### *Audit Field Work (March 2019)*

This update revises Technical Questions and Answers section 8100.03, Using Current Auditing Standards for Audits of Prior Periods.

### **International Auditing and Assurance Standards Board (IAASB)**

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

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

## Regulatory Requirements

### **Office of Management and Budget (OMB)**

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

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

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

M-19-03: *Strengthening the Cybersecurity of Federal Agencies by enhancing the High Value Asset Program* (December 10, 2018)

M-19-04: *Implementation of Penalty Inflation Adjustments for 2019, Pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015* (December 14, 2018)

M-19-05: *2019 Discount Rates for OMB Circular No. A-94* (December 18, 2018)

M-19-07: *Executive Branch Support for Congressional Travel During a Government Shutdown* (January 18, 2019)

M-19-08: *Preparing for an Orderly Reopening Following the Partial Lapse in Appropriations* (January 25, 2019)

M-19-09: *Reopening Departments and Agencies* (January 25, 2019)

M-19-10: *Guidance for Achieving Interoperability with the National Freedom of Information Act (FOIA) Portal on FOIA.gov* (February 12, 2019)

M-19-11: *Guidance on the Applicability of E.O. 13807 to States with NEPA Assignment Authority Under the Surface Transportation Project Delivery Program* (February 26, 2019)

M-19-12: *Clearance of Department and Agency Materials through the Office of Management and Budget* (February 26, 2019)

M-19-13: *Category Management: Making Smarter Use of Common Contract Solutions and Practices* (March 20, 2019)

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

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

## **Department of the Treasury (Treasury)**

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

TFM Volume I, Part 3, Chapter 7000: *Treasury Report on Receivables (TROR)* (February 12, 2019)

This chapter describes Treasury's requirements for debt management reports. It also provides instructions for submitting the Treasury Report on Receivables and Debt Collection Activities.

TFM Volume I, Part 6, Chapter 5000: *Withholding of District of Columbia, State, City, and County Income or Employment Taxes* (February 12, 2019)

This chapter prescribes instructions for withholding state, city, or county income taxes when an agreement has been reached between a state, city, or county and the Secretary of the Treasury.

TFM Volume I, Part 4A, Chapter 4000: *Requirements For Non-Treasury Disbursing Officers (NTDOs)* (March 14, 2019)

This chapter addresses applications and payment-related processes under the authority of Treasury's Bureau of the Fiscal Service (Fiscal Service), Payment Management, when payments are not processed by Fiscal Service. NTDOs must adhere to the letter and intent of the authorities, processes, and rules outlined in this chapter for creating, issuing, and reporting transactions.

TFM Volume I, Part 4A, Chapter 3000: *Requirements for Scheduling Payments Disbursed by the Bureau of the Fiscal Service* (March 14, 2019)

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.

TFM Volume I, Part 4, Chapter 6000: *Checking Accounts with the U.S. Treasury* (March 19, 2019)

This chapter prescribes procedures that government departments, agencies, disbursing officers, and others must follow when using and operating four-digit symbol checking accounts with Treasury.

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

Bulletin No. 2019-05: *Federal Account Symbols and Titles (FAST Book)* (February 14, 2019)

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

Bulletin No. 2019-06: *Changes to U.S. Standard General Ledger (USSGL)—A Treasury Financial Manual (TFM) Supplement* (March 14, 2019)

This bulletin notifies agencies that part 2 of USSGL has been revised for fiscal year 2019.

## Accounting Standards and Guidance

### Federal Accounting Standards Advisory Board (FASAB)

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

Technical Release (TR) No. 19: Rescission of Technical Release 8 (January 15, 2019)

The Statement of Federal Financial Accounting Standards (SFFAS) 55, *Amending Inter-entity Cost Provisions*, amended SFFAS 4, *Managerial Cost Accounting Standards and Concepts*, and rescinded SFFAS 30, *Inter-Entity Cost Implementation: Amending SFFAS 4, Managerial Cost Accounting Standards and Concepts*, and Interpretation 6, *Accounting for Imputed Intra-departmental Costs: An Interpretation of SFFAS No. 4*. This technical release rescinds TR No. 8 because it is no longer consistent with SFFAS 4, as amended.

Interpretation of Federal Financial Accounting Standards 8: *An Interpretation of Statement of Federal Financial Accounting Standards 56, Classified Activities* (March 15, 2019)

SFFAS 56 balances the need for financial reports to be publicly available with the need to prevent the disclosure of classified national security information or activities in publicly issued general purpose federal financial reports. SFFAS 56 allows financial presentation and disclosure to accommodate user needs in a manner that does not impede national security. SFFAS 56 permits modifications that do not affect net results of operations or net position, and it allows a component reporting entity to be excluded from one reporting entity and consolidated into another reporting entity. The effect of the modification may change the net results of operations, net position, or both.

Further, interpretations of SFFAS 56, which may contain classified information, will address the requirements of this and other standards and permit other modifications when needed to prevent the disclosure of classified information. Modifications permitted by SFFAS 56 and future interpretations may affect the net results of operations, net position, or both of entities applying them. Interpretation 8 is the first classified interpretation of SFFAS 56 that allows modifications to information required by other standards, and the effect of the modifications may change the net results of operations, net position, or both. It also provides a decision chart illustrating the board's intended implementation of the interpretation.

### Financial Accounting Standards Board (FASB)

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

Accounting Standards Update No. 2019-01: *Leases (Topic 842): Codification Improvements* (March 2019)

Accounting Standards Update No. 2019-02: *Entertainment—Films—Other Assets—Film Costs (Subtopic 926-20) and Entertainment—Broadcasters—Intangibles—Goodwill and Other (Subtopic 920-350): Improvements to Accounting for Costs of Films and License Agreements for Program Materials (a consensus of the Emerging Issues Task Force)* (March 2019)

Accounting Standards Update No. 2019-03: *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections* (March 2019)

### **Government Accounting Standards Board (GASB)**

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

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

## **Internal Audit Guidance**

### **Institute of Internal Auditors (IIA)**

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

*Assessing the Risk Management Process* (March 2019)

This guide aids the internal audit activity in developing approaches for reviewing and assessing the effectiveness of an organization's risk management processes and strategies, regardless of the activity's size, maturity level, or resource level. It also discusses how internal audit may influence the positive side of risk, providing insights to senior management and the board on how organizations can discover and embrace potential missed opportunities.

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

Implementation Guides for Code of Ethics Principles

1. *Integrity* (February 2019)
2. *Objectivity* (February 2019)
3. *Confidentiality* (February 2019.)
4. *Competency* (February 2019)