



Memorandum

Date: January 29, 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. 72, October 2018 through December 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. 72

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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] (December 2018)

This update revises the Confidential Client Information Rule (ET sec. 1.700.001) by adding the Disclosing Information in Connection With a Quality Review interpretation (ET sec. 1.700.100). It also revises the following interpretations under the Independence Rule (ET sec. 1.200.001): Leases (ET sec. 1.260.040) and Client Affiliates (ET sec. 1.224.010).

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

General Accounting and Auditing Developments – 2018/2019 Audit Risk Alert (October 2018)

This alert contains a description of all recent auditing, accounting, and regulatory developments and enhances the auditor's understanding of the business, economic, and regulatory environments in which auditors and their clients operate. It also contains new accounting and auditing guidance relating to recent legislative and Public Company Accounting Oversight Board developments and developments in peer review, stock compensation, and financial instruments.

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

Health Care Entities – Audit and Accounting Guide (October 2018)

This guide helps the auditor to understand the complexities of the health care industry's specialized accounting and regulatory requirements. It includes relevant Governmental Accounting Standards Board and Financial Accounting Standards Board updates (including those related to private companies).

International Auditing and Assurance Standards Board (IAASB)

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

International Standard on Auditing (ISA) 540 (Revised), *Auditing Accounting Estimates and Related Disclosures* (October 3, 2018)

This ISA deals with the auditor's responsibilities relating to accounting estimates and related disclosures in financial statement audits. Specifically, it includes requirements and guidance that refer to, or expand on, how ISA 315 (Revised), ISA 330, ISA 450, ISA 500, and other relevant ISAs are to be applied to accounting estimates and related disclosures. It also includes requirements and guidance on evaluating misstatements of accounting estimates and related disclosures and indicators of possible management bias.

2018 Handbook of International Quality Control, Auditing, Review, Other Assurance, and Related Services Pronouncements (December 17, 2018)

This edition of the handbook includes ISA 250 (Revised), *Consideration of Laws and Regulations in an Audit of Financial Statements*, and amendments to other international standards in response to the new requirements addressing noncompliance with laws and regulations in the International Ethics Standards Board for Accountants *International Code of Ethics for Professional Accountants*. It is effective for audits of financial statements (and other services) for periods beginning on or after December 15, 2017.

This edition also includes Volume III, which includes the IAASB's *Framework for Audit Quality: Key Elements that Create an Environment for Audit Quality*, covering a topic that is an IAASB key focus area.

Regulatory Requirements

Office of Management and Budget (OMB)

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

OMB Circular A-94: *Guidelines and Discount Rates for Benefit-Cost Analysis of Federal Programs*

- *Appendix C: Discount Rates for Cost-Effectiveness, Lease-Purchase, and Related Analyses for OMB Circular No. A-94* (December 2018)
- *Table of Past Years Discount Rates from Appendix C of OMB Circular No. A-94* (December 18, 2018)
- *Memorandum, 2018 Discount Rates for OMB Circular No. A-94* (December 18, 2018)

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

M-19-01: *Request for Agency Feedback on the Federal Data Strategy* (October 16, 2018)

M-19-02: *Fiscal Year 2018-2019 Guidance on Federal Information Security and Privacy Management Requirements* (October 25, 2018)

M-19-06: *Status of Agency Operations* (December 21, 2018)

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

OMB Bulletin No. 19-01: *Audit Requirements for Federal Financial Statements* (October 4, 2018).

OMB Bulletin No. 19-02: *Apportionment of Obligational Authority for Necessary Agency Operations in the Absence of Fiscal Year 2019 Appropriations* (December 21, 2018).

Department of the Treasury (Treasury)

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

TFM Volume I, Part 2, Chapter 2000: *Warrant and Nonexpenditure Transfer (NET) Transactions* (October 2, 2018)

This chapter describes the procedures and forms used to record warrant transactions. It also contains information about using the Central Accounting Reporting System to process nonexpenditure transfer transactions and to retrieve processed warrant transactions.

TFM Volume I, Part 4, Chapter 5000: *Requisitioning, Preparing, and Issuing Treasury Checks* (October 9, 2018)

This chapter prescribes the procedures disbursing officers use to requisition, prepare, and issue four-digit checking account symbol checks drawn on the U.S. Treasury. Topics include submitting disbursing officers' signature specimens, ordering and controlling blank check stock, and inscribing checks. The procedures apply to all disbursing offices except where otherwise indicated.

TFM Volume I, Part 6, Chapter 8500: *Cash Forecasting Requirements* (October 23, 2018)

This chapter prescribes special instructions that federal departments and agencies must follow to report deposit and disbursement information for cash forecasting purposes.

TFM Volume I, Part 3, Chapter 5000: *Withholding of District of Columbia, State, City, and County Income or Employment Taxes* (October 30, 2018)

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

TFM Volume II, Part 5, Chapter 2000: *CASH TRACK Transmittals* (October 31, 2018)

This chapter prescribes procedures and forms government agencies use in reporting accounting transactions to Treasury's Bureau of the Fiscal Service. It also prescribes procedures for Federal Reserve Banks and their branches to follow when preparing and sending CASH TRACK transmittals to the CASH TRACK system.

TFM Volume I, Part 2, Chapter 4700: *Agency Reporting Requirements for the Financial Report of the United States Government* (November 28, 2018)

This chapter prescribes how agencies provide data for the *Financial Report of the United States Government* using the Governmentwide Treasury Account Symbol Adjusted Trial Balance

System (GTAS) and the Governmentwide Financial Reports System. It also includes the Bureau of the Fiscal Service Closing Package methodology, the Federal Intragovernmental Transactions process, and requirements for submitting the preclosing GTAS Adjusted Trial-Balance. This TFM chapter does not include all reporting requirements for GTAS. Additional information can be found on the GTAS website.

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

Bulletin No. 2019-01: *Federal Account Symbols and Titles (FAST Book)* (October 16, 2018)

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

Bulletin No. 2019-04: *Current Value of Funds Rate (CVFR)* (November 13, 2018)

This bulletin states that the Secretary of the Treasury is responsible for computing and publishing the rate used for federal debt collection, cash discounts, and rebate evaluation. The CVFR is a percentage based on the current value of funds to the Department of the Treasury (Treasury). Treasury annually computes the CVFR by averaging investment rates for the 12-month period ending on September 30, rounding it to the nearest whole percentage. If the annual average (on a 12-month moving average basis) changes by 2 percent per quarter, Treasury's Bureau of the Fiscal Service publishes the presiding rate in the *Federal Register* and in a Treasury Financial Manual bulletin. Current and previous rates can be obtained from the CVFR website.

Bulletin No. 2019-03: *Intragovernmental Custodial and Non-Entity Collections-Other Than the General Fund of the U.S. Government* (November 28, 2018)

This bulletin introduces two new *U.S. Standard General Ledger (USSGL)* accounts and introduces modifications for other USSGL accounts. These changes allow for the reporting and proper intragovernmental elimination of balances, and allow for custodial and nonentity transactions from the collecting entity to the receiving entity, where the receiving entity is not the General Fund of the U.S. Government. It provides implementation guidance for departments and agencies in the interim until the expected May 2019 publication of the revised TFM Volume I, Part 2, Chapter 4700. The USSGL account attributes and related descriptions can be found on the USSGL website.

Bulletin No. 2019-02: Change to Bulletin No. 2018-05, U.S. Standard General Ledger (USSGL) - A Treasury Financial Manual (TFM) Supplement (December 20, 2018)

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

Accounting Standards and Guidance

Federal Accounting Standards Advisory Board (FASAB)

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

Statement of Federal Financial Accounting Standards (SFFAS) 56—*Classified Activities*

The objective of this statement is to balance 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. It allows financial presentation and disclosure to accommodate user needs in a manner that does not impede national security. This statement permits modifications that do not affect net results of operations or net position. It allows a component reporting entity to be excluded from one reporting entity and consolidated into another reporting entity, and the effect of the modification may change the net results of operations, net position, or both. Further, interpretations of this statement, which may themselves 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 this statement and future interpretations may affect the net results of operations, net position, or both of entities that apply them.

All federal component reporting entities must include the following in their summary of significant accounting policies:

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Component reporting entities must not disclose whether the SFFAS, or any interpretations of it were applied.

Financial Accounting Standards Board (FASB)

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

Accounting Standards Update No. 2018-16: *Derivatives and Hedging (Topic 815): Inclusion of the Secured Overnight Financing Rate (SOFR) Overnight Index Swap (OIS) Rate as a Benchmark Interest Rate for Hedge Accounting Purposes* (October 2018)

Accounting Standards Update No. 2018-17: *Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities* (October 2018)

Accounting Standards Update No. 2018-18: *Collaborative Arrangements (Topic 808): Clarifying the Interaction between Topic 808 and Topic 606* (November 2018)

Accounting Standards Update No. 2018-19: *Codification Improvements to Topic 326, Financial Instruments—Credit Losses* (November 2018)

Accounting Standards Update No. 2018-20: *Leases (Topic 842): Narrow-Scope Improvements for Lessors* (December 2018)

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](#))

Auditing Third-party Risk Management (October 2018)

This guide provides information on risks related to third-party provider management. Risks across the full vendor life cycle are considered, including appropriate sourcing, ongoing management, and termination of vendors. It also explores risks resulting from the types of services being provided and the sensitivity of data being shared and provides sample audit guidance.

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

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