



Memorandum

Date: April 10, 2014

To: GAO's Financial Management and Assurance Team (FMA)
CIGIE Financial Audit Community

From: James R. Dalkin, Director – FMA
Kristen Kociolek, Assistant Director – FMA
Tom Hackney, Senior Auditor – FMA

Subject: Professional Standards Update No. 61*
August 2013 through January 2014

In order to alert you to changes in professional standards, we issue Professional Standards Updates. The purpose of these updates is to highlight the issuance and some key points of recent standards. Professional Standards Updates do not contain a complete summary of the standards. Those affected by the new standards should refer to the relevant standard for details. Thanks to Tuan Lam for his contributions to this issue, which contains summaries of the following:

Auditing and Attestation Standards and Guidance **GOVERNMENT ACCOUNTABILITY OFFICE (GAO)**

- Guidance for Understanding the New Peer Review Ratings

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA)

- Statement on Auditing Standards No. 128, *Using the Work of Internal Auditors*
- AICPA Alert: Compilation and Review Developments - 2013/14 Alert
- Audit Risk Alert: Health Care Industry Developments - 2013/14

INSTITUTE OF INTERNAL AUDITORS (IIA)

- Internal Auditing: Assurance & Advisory Services, Third Edition
- The Internal Auditor's Guide to Risk Assessment

PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (PCAOB)

- Auditing Standard No. 17 - Auditing Supplemental Information Accompanying Audited Financial Statements
- Staff Audit Practice Alert No. 11 - Considerations for Audits of Internal Control over Financial Reporting

Regulatory Requirements

OFFICE OF MANAGEMENT AND BUDGET (OMB)

- Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards
- Circular No. A-131 (Revised) Value Engineering
- Circular No. A-136 (Revised) Financial Reporting Requirements

*Previously issued Professional Standards Updates can be found at <http://www.gao.gov/govaud/psu.htm>

- M-13-23—Appendix D to Circular No. A-123, *Compliance with the Federal Financial Management Improvement Act of 1996*
- M-14-02—Guidance on Awards for Fiscal Year 2014
- M-14-03—Enhancing the Security of Federal Information and Information Systems
- M-14-04—Fiscal Year 2013 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management

DEPARTMENT OF THE TREASURY

- Summary of Changes - Treasury Financial Manual (TFM) 2-4700, Agency Reporting Requirements for the *Financial Report of the United States Government*
- Treasury Financial Manual Chapter 9500 - Revised Federal Financial Management System Requirements for Fiscal 2014 Reporting

Accounting Standards and Guidance

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD (FASAB)

- Federal Financial Accounting Technical Release 15, *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation*

FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)

- Accounting Standards Update No. 2014-05, Service Concession Arrangements (Topic 853)
- Accounting Standards Update No. 2014-04, Receivables - Troubled Debt Restructurings by Creditors (Subtopic 310-40): *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure*
- Accounting Standards Update No. 2014-03, Derivatives and Hedging (Topic 815): *Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps-Simplified Hedge Accounting Approach*
- Accounting Standards Update No. 2014-02, Intangibles - Goodwill and Other (Topic 350): *Accounting for Goodwill*
- Accounting Standards Update No. 2014-01, Investments - Equity Method and Joint Ventures (Topic 323): *Accounting for Investments in Qualified Affordable Housing Projects*
- Accounting Standards Update No. 2013-12, Definition of a Public Business Entity- An Addition to the Master Glossary
- Accounting Standards Update No. 2013-11, Income Taxes (Topic 740): *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*
- Accounting Standards Update No. 2013-10, Derivatives and Hedging (Topic 815): *Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes*
- Accounting Standards Update No. 2013-09, Fair Value Measurement (Topic 820): *Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans in Update No. 2011-04*

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an amendment of GASB Statement No. 68)*

Auditing and Attestation Standards and Guidance

GOVERNMENT ACCOUNTABILITY OFFICE (GAO)

www.gao.gov

✚ Guidance for Understanding the New Peer Review Ratings (*January 13, 2014*)

The 2011 Revision of Generally Accepted Government Auditing Standards (GAGAS) modified the reporting used to communicate the results of a peer review; in accordance with GAGAS paragraph 3.101, the peer review report includes one of three possible ratings, based on the peer reviewers' opinion on the audit organization's system of quality control: pass, pass with deficiencies, or fail. This document provides guidance on the reporting used to communicate the results of a peer review, compares peer review reporting under the 2011 GAGAS Revision to peer review reporting under the 2007 GAGAS Revision, and includes a flowchart to assist peer reviewers in determining the type of report to issue.

AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA)

www.aicpa.org

✚ Statement on Auditing Standards (SAS) No. 128, *Using the Work of Internal Auditors* (*February 2014*)

This Statement on Auditing Standards (SAS) supersedes SAS No. 65, *The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements* and addresses the external auditor's responsibilities if using the work of internal auditors. Using the work of internal auditors includes (1) using the work of the internal audit function in obtaining audit evidence and (2) using internal auditors to provide direct assistance under the direction, supervision, and review of the external auditor. This SAS does not apply if the entity does not have an internal audit function, the responsibilities and activities of the function are not relevant to the audit, or the external auditor does not expect to use the work of the function in obtaining audit evidence. This SAS is effective for audits of financial statements for periods ending on or after December 15, 2014.

✚ AICPA Alert: *Compilation and Review Developments - 2013/14 Alert* (*December 2013*)

This alert provides guidance on recently issued and proposed professional standards affecting practitioners providing compilation and review services, and helps practitioners plan and perform compilation and review engagements. This alert may also be used by an entity's internal management to better understand the nature of such engagements and the associated expectations. Additionally, this alert includes recent Statements on Standards for Accounting and Review Services developments, current practice issues, and emerging accounting developments.

Audit Risk Alert: *Health Care Industry Developments – 2013/14*

This alert provides guidance on the unique economic, regulatory, accounting and auditing developments affecting investor-owned, not-for-profit, and governmental health care entities. It includes current accounting and auditing issues, such as Accountable Care Organizations, Medicare Recovery Audit Contractor recoveries and receivables, and impairment and recoverability considerations. This alert also includes regulatory developments such as the Patient Protection and Affordable Care Act, recent rules affecting payments, and emerging issues that may require consideration during 2013-2014 risk assessment and planning procedures, including industry-specific fraud risks.

INSTITUTE OF INTERNAL AUDITORS (IIA)

www.theiia.org

Internal Auditing: Assurance & Advisory Services, Third Edition (August 2013)

This resource serves as a cornerstone for internal audit education. It covers key fundamentals of internal auditing that can be applied in an ever-changing business world, serving as a reference and training tool for internal audit practitioners. This guidance is organized into three sections: Fundamental Internal Audit Concepts, Conducting Internal Audit Engagements, and Case Studies. This third edition has been updated to reflect the latest release of *The IIA's International Professional Practices Framework (IPPF)*; the Committee of Sponsoring Organization's updated *Internal Control – Integrated Framework*; and emerging practices relating to governance, risk management, and fraud guidance provided in *Managing the Business Risk of Fraud: A Practical Guide*.

The Internal Auditor's Guide to Risk Assessment (November 2013)

The Internal Auditor's Guide to Risk Assessment demonstrates how to conduct a risk assessment, use the risk assessment to create the audit plan, and align the risk assessment to business objectives. This comprehensive guide includes a resource package with customizable templates for audit risk assessments, customizable templates for engagement risk assessments, criteria and definitions, risk category and risk factor definitions, and a glossary of key concepts.


PUBLIC COMPANY ACCOUNTING OVERSIGHT BOARD (PCAOB)

www.pcaobus.org

Auditing Standard No. 17 - Auditing Supplemental Information Accompanying Audited Financial Statements (October 10, 2013)

This standard sets forth the auditor's responsibilities when the auditor is engaged to perform audit procedures and report on whether supplemental information

accompanying the financial statements is fairly stated, in all material respects, in relation to the financial statements taken as a whole. The standard supersedes Audit Section 551, *Reporting on Information Accompanying the Basic Financial Statements in Auditor-Submitted Documents*. Auditing Standard No. 17 contains audit procedures that are designed to support the auditor's reporting requirements, including procedures to test the supplemental information accompanying the financial statements. The standard includes auditor performance requirements to (1) determine that the supplemental information reconciles to the underlying accounting and other records or to the financial statements, as applicable; (2) test the completeness and accuracy of the supplemental information, to the extent that it was not tested as part of the audit of the financial statements; and (3) evaluate whether the supplemental information, including its form and content, complies with relevant regulatory requirements or other applicable criteria, if any. Auditing Standard No. 17 will be effective, subject to approval by the Securities and Exchange Commission, for audit procedures and reports on supplemental information that accompanies financial statements for fiscal years ending on or after June 1, 2014.

 **Staff Audit Practice Alert No. 11 - Considerations for Audits of Internal Control over Financial Reporting** (*October 24, 2013*)

Deficiencies in audits of internal control can affect the audit of the financial statements. In integrated audits, auditors often rely on controls to reduce their substantive testing of financial statement accounts and disclosures. Thus, deficiencies in testing and evaluating internal control can lead to inadequate testing of accounts and disclosures in the financial statement audit. This practice alert discusses the application of certain requirements of Auditing Standard No. 5 and other PCAOB standards to specific aspects of the audit of internal control, in light of recent observations of auditing deficiencies. The practice alert discusses topics including risk assessment and the audit of internal control; selecting controls to test; testing management review controls; evaluating information technology considerations, including system-generated data and reports; and evaluating identified control deficiencies.

Regulatory Requirements

OFFICE of MANAGEMENT and BUDGET (OMB)

www.whitehouse.gov/omb

 **Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards** (*December 26, 2013*)

OMB has streamlined the federal government's guidance on administrative requirements, cost principles, and audit requirements for federal awards. This final guidance supersedes and streamlines the requirements from OMB Circular Nos. A-21, A-87, A-110, and A-122 in addition to Circular Nos. A-89, A-102, and A-133; and the guidance in Circular No. A-50 on Single Audit Act follow-up. Among the major changes are those to Section 200.501 (Audit Requirements), which raises the single audit threshold from \$500,000 in federal awards per year to \$750,000 in federal

awards per year; Section 200.512 (Report Submission) which requires the publication of single audit reports online with safeguards for protecting personally identifiable information; Section 200.513 (Responsibilities) which requires each federal awarding agency to designate a senior accountable official who will be responsible for overseeing effective use of the single audit tool and implementing metrics to evaluate audit follow-up; and Section 200.518 (Major Program Determination), which focuses audits on the areas with internal control deficiencies that have been identified as material weaknesses. This guidance is applicable for federal agencies and was effective as of December 26, 2013.

 **Circular No. A-131 (Revised) Value Engineering** (*December 2013*)

The purpose of this circular is to provide guidelines to support the sustained use of value engineering (VE) by federal departments and agencies to reduce program and acquisition costs, improve performance, enhance quality, and foster the use of innovation. This circular is being revised to ensure that the federal government has the capabilities and tools to consider the use of VE for new and ongoing projects, whenever appropriate. Agencies subject to the Chief Financial Officers (CFO) Act of 1990 are required to designate a senior accountable official (SAO) at a level with sufficient authority within the department or agency to coordinate, oversee, and ensure the appropriate consideration and use of VE, and each CFO Act agency is also required to report the fiscal year results of using VE annually to OMB's Administrator for Federal Procurement Policy by December 31 of each year. Agencies should develop guidance to be consistent with the guidelines within 6 months of the publication date of the circular.

 **Circular No. A-136 (Revised) Financial Reporting Requirements** (*October 2013*)

OMB, with the Chief Financial Officers Council, has updated existing OMB guidance for agency and government-wide financial reporting. This update included agency due dates and some reporting changes, requirements for agencies to produce elements of a Schedule of Spending as Other Information, annual performance report reporting requirements under the Government Performance and Results Act Modernization Act (GPRAMA) of 2010, and relevant Federal Accounting Standards Advisory Board (FASAB) updates. This revision of Circular No. A-136 was effective upon issuance, unless otherwise specified.

 **M-13-23—Appendix D to Circular No. A-123, *Compliance with the Federal Financial Management Improvement Act of 1996*** (*September 20, 2013*)

Appendix D to Circular No. A-123 defines new requirements for determining compliance with the Federal Financial Management Improvement Act (FFMIA). The goal of this appendix is to contribute to efforts to reduce the cost, risk, and complexity of financial system modernizations. The objective of this approach is to provide additional flexibility for federal agencies to initiate smaller-scale financial modernizations, as long as relevant financial management outcomes are maintained. Among the changes included in this appendix are establishing an outcome-based approach to assess FFMIA compliance and establish a series of financial management goals that are common to all federal agencies; removing unnecessary

financial management system requirements that drive complexity and cost; and eliminating the lengthy and resource-intensive financial system software test and certification program and emphasizing the deployment of newer, cost-effective technology through shared service approaches. The interim final version of Appendix D to OMB Circular No. A-123 was effective October 1, 2013.

M-14-02—Guidance on Awards for Fiscal Year 2014 *(November 1, 2013)*

The Office of Personnel Management (OPM) and the OMB issued this memorandum to establish budgetary limits on awards paid during fiscal year 2014. This memorandum provides guidance applicable to all departments and agencies and supersedes the guidance provided to agencies on discretionary monetary awards that was included in the OMB Memoranda on sequester implementation, M-13-05 (February 2013) and M-13-11 (April 2013). The budgetary limits specified in this memorandum apply to spending for individual monetary awards only, which include rating-based performance awards and individual special act awards. Other awards and incentives, such as group awards, referral bonuses, or suggestion/invention awards, are frozen at fiscal year 2010 spending levels, except travel savings and foreign language awards. The budgetary limits specified in this memorandum take effect for awards with effective dates during fiscal year 2014. These awards limits and this policy shall remain in effect until further notice.

M-14-03—Enhancing the Security of Federal Information and Information Systems *(November 18, 2013)*

To strengthen the nation's cybersecurity posture, the OMB identified cybersecurity as 1 of 14 Cross Agency Priority (CAP) goals, established in accordance with the Government Performance and Results Act Modernization Act. This memorandum provides agencies with guidance for managing information security risk on a continuous basis and builds upon efforts toward achieving the cybersecurity CAP goal. In conjunction with this effort, the Department of Homeland Security (DHS) has established a Continuous Diagnostics and Mitigation (CDM) Program, and the attachment to this memorandum outlines specific actions for agencies to follow in establishing their information security continuous monitoring programs. Additional guidance will be provided, as needed, as the DHS CDM and agency programs mature.

M-14-04—Fiscal Year 2013 Reporting Instructions for the Federal Information Security Management Act and Agency Privacy Management *(November 18, 2013)*

This memorandum provided instructions for meeting the fiscal year 2013 reporting requirements under the Federal Information Security Management Act of 2002 (FISMA), and also included reporting instructions on agency privacy management programs. As stated in previous FISMA guidance issued by OMB, agencies are required to adhere to DHS direction to report data through CyberScope. Additionally, OMB requires that the head of each agency submit, as part of the agency's annual report, a signed electronic copy of an official letter to CyberScope providing a comprehensive overview reflecting the agency's assessment of the

adequacy and effectiveness of information security policies, procedures, and practices and compliance with the requirements of FISMA for the agency. This memorandum included the fiscal year 2013 FISMA Reporting Guidance, reporting deadlines, additional requirements, and points of contact for direct questions.

DEPARTMENT OF THE TREASURY

www.treasury.gov

✚ Summary of Changes - Treasury Financial Manual (TFM) 2-4700, *Agency Reporting Requirements for the Financial Report of the United States Government* (September 27, 2013)

This document highlights the significant changes to TFM 2-4700, *Agency Reporting Requirements for the Financial Report of the United States Government*. There were two TFM 2-4700 releases issued during fiscal year 2013, and this summary notes whether the change was made in the May release or was made in the September release.

✚ Treasury Financial Manual Chapter 9500 - Revised Federal Financial Management System Requirements for Fiscal 2014 Reporting (October 31, 2013)

This chapter notifies agencies of the revised Federal Financial Management System Requirements. It rescinds and replaces TFM Bulletin 2013-11. Agencies should use the Federal Financial Management System Requirements in the pre-acquisition, acquisition, and implementation of new financial management solutions (manual or automated). Agencies should use this guidance in conjunction with the Financial Management System Requirements in accordance with Appendix D, *Compliance with the Federal Financial Management Improvement Act of 1996*, to OMB Circular No. A-123, Management's Responsibility for Internal Control. As previously discussed, Appendix D is a new appendix to Circular No. A-123 and contains an outcome-based approach to assess FFMA compliance through a series of financial management goals that are common to all agencies.

Accounting Standards and Guidance

FEDERAL ACCOUNTING STANDARDS ADVISORY BOARD (FASAB)

www.fasab.gov

✚ Federal Financial Accounting Technical Release 15, *Implementation Guidance for General Property, Plant, and Equipment Cost Accumulation, Assignment and Allocation* (September 26, 2013)

The implementation guidance promotes an understanding of organizational considerations that affect the application of the standards for general property, plant, and equipment (G-PP&E) except for internal use software. The guidance relates to

recognition requirements for programmatic, managerial, administrative, and other elements of program costs incurred during the G-PP&E lifecycle; the concept of a cost accumulation and allocation decision framework; and management's role in applying the cost accumulation, assignment, and allocation decision framework. The guidance also supports the objectives of ensuring that transactions involving G-PP&E are recorded in accordance with federal accounting standards, and that the cost of producing federal financial information does not outweigh the benefits derived by the users of the financial information. This guidance includes technical guidance, illustrations, and is effective upon issuance.

FINANCIAL ACCOUNTING STANDARDS BOARD (FASB)

www.fasb.org

✚ Accounting Standards Update No. 2014-05 —Service Concession Arrangements (Topic 853) (January 2014)

Service concession arrangements have become more prevalent as public-sector entities seek ways to provide services on a more efficient and cost-effective basis. The objective of the amendments to this update is to specify that an operating entity should not account for a service concession arrangement within the scope of this update as a lease in accordance with Topic 840, *Leases*. An operating entity should refer to other topics as applicable to account for various aspects of a service concession arrangement. The amendments in this update should be applied on a modified retrospective basis to service concession arrangements that existed at the beginning of an entity's fiscal year of adoption, and the amendments are effective for a public business entity for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. For an entity other than a public business entity, the amendments are effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early adoption is permitted.

✚ Accounting Standards Update No. 2014-04—Receivables—Troubled Debt Restructurings by Creditors (Subtopic 310-40): *Reclassification of Residential Real Estate Collateralized Consumer Mortgage Loans upon Foreclosure* (January 2014)

The objective of the amendments in this update is to clarify when an in-substance repossession or foreclosure occurs. The amendments clarify that an in-substance repossession or foreclosure occurs, and a creditor is considered to have received physical possession of residential real estate property collateralizing a consumer mortgage loan, upon either (1) the creditor obtaining legal title to the residential real estate property upon completion of a foreclosure or (2) the borrower conveying all interest in the residential real estate property to the creditor to satisfy that loan through completion of a deed in lieu of foreclosure or through a similar legal agreement. The amendments are effective for public business entities for annual periods, and interim periods within those annual periods, beginning after December 15, 2014. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015.

✚ **Accounting Standards Update No. 2014-03—Derivatives and Hedging (Topic 815): *Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps-Simplified Hedge Accounting Approach* (January 2014)**

The objective of the amendment in this update is to address the concerns of private company stakeholders by providing an additional hedge accounting alternative within Topic 815 for certain types of swaps that are entered into by a private company for the purpose of converting a variable-rate borrowing into a fixed-rate borrowing. The amendments allow the use of the simplified hedge accounting; under this approach, the income statement charge for interest expense will be similar to the amount that would result if the entity had directly entered into a fixed-rate borrowing instead of a variable-rate borrowing and a receive-variable, pay-fixed interest rate swap. Alternatively, that entity may continue to follow the current guidance in Topic 815. The simplified hedge accounting approach will be effective for annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015, with early adoption permitted.

✚ **Accounting Standards Update No. 2014-02—Intangibles - Goodwill and Other (Topic 350): *Accounting for Goodwill* (January 2014)**

The amendments in this update allow an accounting alternative for the measurement of goodwill and apply to all entities except for public business entities and not-for-profit entities, in addition to employee benefit plans within the scope of Topics 960 through 965 on plan accounting. An entity within the scope of the amendments that elects the accounting alternative in this update should amortize goodwill on a straight-line basis over 10 years, or less than 10 years if the entity demonstrates that another useful life is more appropriate. The accounting alternative should be applied prospectively to goodwill existing as of the beginning of the period of adoption and to new goodwill recognized in annual periods beginning after December 15, 2014, and interim periods within annual periods beginning after December 15, 2015. Early application is permitted, including application to any period for which the entity's annual or interim financial statements have not yet been made available for issuance.

✚ **Accounting Standards Update No. 2014-01—Investments - Equity Method and Joint Ventures (Topic 323): *Accounting for Investments in Qualified Affordable Housing Projects* (January 2014)**

The objective of the amendments in this update is to provide guidance on accounting for investments by a reporting entity in flow-through limited liability entities that manage or invest in affordable housing projects that qualify for the low-income housing tax credit. The amendments permit reporting entities to make an accounting policy election to account for their investments in qualified affordable housing projects using the proportional amortization method if certain conditions are met, including the probability that the tax credits allocable to the investor will be available, the investor does not have the ability to influence the operating and financial policies of the limited liability entity, and the investor's liability is limited to its capital investment. The amendments in this update should be applied retrospectively to all periods presented and are effective for public business entities for annual periods, and interim reporting periods within those annual periods, beginning after December 15, 2014. For all

entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2014, and interim periods within annual reporting periods beginning after December 15, 2015. Early adoption is permitted.

✚ **Accounting Standards Update No. 2013-12—Definition of a Public Business Entity - An Addition to the Master Glossary (December 2013)**

The objectives of the amendments to this update are to minimize the inconsistency as to what constitutes a nonpublic entity and a public entity within U.S. generally accepted accounting principles (U.S. GAAP) on a going-forward basis and to define a public business entity. The amendments also identify the types of business entities that are excluded from the scope of the *Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies*. There is no actual effective date for the amendment in this update, but the term public business entity is used in Accounting Standards Updates No. 2014-01, *Intangibles—Goodwill and Other (Topic 350): Accounting for Goodwill*, and No. 2014-02, *Derivatives and Hedging (Topic 815): Accounting for Certain Receive-Variable, Pay-Fixed Interest Rate Swaps—Simplified Hedge Accounting Approach*.

✚ **Accounting Standards Update No. 2013-11—Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists (July 2013)**

U.S. GAAP does not include explicit guidance on the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The objective of the amendments to this update is to eliminate diverse practice in the presentation of unrecognized tax benefits, and this update provides guidance on the presentation of unrecognized tax benefits and better reflects the manner in which an entity would settle any additional income taxes that would result from the disallowance of a tax position when net operating loss carryforwards or tax credit carryforwards exist. The amendments are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2013. For nonpublic entities, the amendments are effective for fiscal years, and interim periods within those years, beginning after December 15, 2014, with early adoption permitted. The amendments should be applied prospectively to all unrecognized tax benefits that exist at the effective date, and retrospective application is permitted.

✚ **Accounting Standards Update No. 2013-10—Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes (July 2013)**

The objective of the amendments in this update is to provide for the inclusion of the Fed Funds Effective Swap Rate, or Overnight Index Swap Rate (OIS), as a U.S. benchmark interest rate for hedge accounting purposes. The amendments permit the Fed Funds Effective Swap Rate (or OIS) to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to United States Treasury (UST) and London Interbank Offered Rate (LIBOR). The amendments also

remove the restriction on using different benchmark rates for similar hedges. Before the amendments in this update, only the UST and LIBOR swap rates were considered benchmark interest rates in the United States under Topic 815. The amendments are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013.

✚ Accounting Standards Update No. 2013-09—Fair Value Measurement (Topic 820): *Deferral of the Effective Date of Certain Disclosures for Nonpublic Employee Benefit Plans in Update No. 2011-04 (July 2013)*

The objective of the amendments in this update is to address concerns that certain disclosure requirements in paragraph 820-10-50-2 of the FASB Accounting Standards Codification potentially provide proprietary information about nonpublic entities through the dissemination of their employee benefit plans' statements on the regulator's website. The amendments defer the effective date of certain required disclosures in Update 2011-04 (Topic 820) of information for investments held by a nonpublic employee benefit plan in its plan sponsor's own nonpublic entity equity securities. The deferral in this amendment is effective upon issuance for financial statements that have not been issued.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB)

www.gasb.org

✚ Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date (an Amendment of GASB Statement No. 68)*
(November 2013)

The objective of Statement No. 71 is to improve accounting and financial reporting by addressing an issue in Statement No. 68, *Accounting and Financial Reporting for Pensions*, concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that statement. This statement amends paragraph 137 of Statement No. 68 which limited recognition of pension-related deferred outflows of resources and deferred inflows of resources at the transition to circumstances in which it is practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions. The requirements of this statement apply to all state and local governments that are required to apply the provisions of Statement No. 68 for defined benefit pensions, and the provisions of this statement should be applied simultaneously with the provisions of GASB Statement No. 68.
