



Memorandum

Date: January 31, 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. 68, July 2017 through December 2017

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. 68

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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](#))

SAS No. 133: *Auditor Involvement with Exempt Offering Documents* (July 2017)

AICPA's Auditing Standards Board issued this Statement on Auditing Standards (SAS) to address the auditor's responsibilities when the auditor is deemed to be involved with an exempt offering document. This SAS will be effective for exempt offering documents with which the auditor is involved that are initially distributed, circulated, or submitted on or after June 15, 2018.

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

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

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

Peer Review [PR] (September 2017)

This update revises PR section 100, *Standards for Performing and Reporting on Peer Reviews*, and PR section 9100, *Standards for Performing and Reporting on Peer Review—Interpretations of Section 100*, for various conforming and editorial changes.

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

Government Auditing Standards and Single Audit Developments (September 2017)

This alert focuses on areas of change in audits performed under the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), highlighting challenging and frequently misunderstood areas. It also discusses emerging practice issues and current developments related to entities subject to audits performed under *Government Auditing Standards* and the Office of Management and Budget Uniform Guidance, and provides information to help identify significant risks that may affect an audit of entities receiving federal awards. In addition, this alert provides a summary of proposed revisions to *Government Auditing Standards* as found in the exposure draft to update auditors on the proposed revisions to the Yellow Book.

General Accounting and Auditing Developments – 2017/2018 Audit Risk Alert (October 2017)

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 derivatives and hedging, service concession agreements, discontinued operations, and stock compensation.

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

Audit Sampling (July 2017)

This guide summarizes applicable requirements and practices to help auditors apply nonstatistical and statistical sampling, including information and clarification surrounding sample sizes.

State and Local Government (July 2017)

This guide advises auditors on handling audit and accounting issues common to state and local governments. It includes critical guidance on planning, performing, and reporting on audit engagements, including financial reporting and the financial reporting entity, revenue and expense recognition, capital asset accounting, and the elements of net position. It also contains guidance on accounting and auditing considerations for postemployment benefits other than pensions (OPEB) plans as well as accounting and auditing considerations for employers that provide OPEB administered through a qualifying trust and OPEB not administered through a qualifying trust.

Attestation Engagements on Sustainability Information (Including Greenhouse Gas Emissions Information) (July 2017)

This guide assists certified public accountants (CPA) with interpreting and applying the clarified attestation standards (*Statement on Standards for Attestation Engagements* No. 18) when performing examination or review engagements on sustainability information. It contains interpretive guidance for examination and review engagements on sustainability information based on the clarified attestation standards, with respect to preconditions for performing such engagements. It also contains updated guidance for attestation engagements on greenhouse gas emissions information and certain matters that are not addressed in the clarified attestation standards.

Depository and Lending Institutions: Banks and Savings Institutions, Credit Unions, Finance Companies, and Mortgage Companies (August 2017)

This guide covers audit and accounting issues such as transfers and servicing, troubled debt restructurings, financing receivables and the allowance for loan losses, and fair value accounting. It also provides direction for institutions assessing their operations and internal controls for regulatory considerations as well as discussions on existing regulatory reporting matters.

Health Care Entities – Audit and Accounting Guide (September 2017)

This guide includes relevant Governmental Accounting Standards Board and Financial Accounting Standards Board updates (including those related to private companies) and auditor involvement with municipal securities findings. It also includes updates to SAS No. 133, *Auditor Involvement with Exempt Offering Documents*.

Preparation, Compilation, and Review Engagements (October 2017)

This guide covers the latest developments in the preparation, compilation, and review of engagements and contains the latest guidance from the Accounting and Review Services

Committee (ARSC). It also contains some updates related to materiality in review engagements, professional skepticism, and illustrative accountant's reports.

Analytical Procedures – AICPA Audit Guide (November 2017)

This guide includes relevant guidance contained in applicable standards and other technical sources. The guide summarizes applicable requirements and practices and provides advice for handling analytical procedures used in audits.

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

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

Regulatory Requirements

Office of Management and Budget (OMB)

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

OMB Circular No. A-11: *Preparation, Submission, and Execution of the Budget* (Revised July 2017)

OMB Circular No. A-136: *Financial Reporting Requirements* (Revised August 15, 2017)

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

M-17-28: *Fiscal Year 2019 Budget Guidance* (July 7, 2017)

M-17-29: *Best-in-Class Mandatory Solution - Package Delivery Services* (July 27, 2017)

M-17-30: *Fiscal Year 2019 Administration Research and Development Budget Priorities* (August 17, 2017)

M-17-31: *FY 2018 Regulatory Cost Allowances* (September 7, 2017)

M-17-32: *Travel on Government-Owned Rented, Leased or Chartered Aircraft* (September 29, 2017)

M-18-01: *Developing Agency Funding and Authorization Requests to Support Recovery and Rebuilding after Recent Hurricanes* (October 4, 2017)

M-18-02: *Fiscal Year 2017-2018 Guidance on Federal Information Security and Privacy Management Requirements* (October 16, 2017)

M-18-03: *Implementation of Penalty Inflation Adjustments for 2018, Pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015* (December 15, 2017)

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

OMB Bulletin No. 17-02: *Apportionment of the Continuing Resolution(s) for Fiscal Year 2018* (September 28, 2017)

OMB Bulletin No. 17-03: *Audit Requirements for Federal Financial Statements* (September 29, 2017)

Department of the Treasury (Treasury)

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

TFM Volume I, Part 2, Chapter 1500: *Description of Accounts Relating to Financial Operations* (July 3, 2017)

This chapter describes accounts relating to the government's financial operations. Treasury, the Bureau of the Fiscal Service (Fiscal Service), and the Office of Management and Budget (OMB) assign the accounts to agencies.

TFM Volume I, Part 2, Chapter 4700: *Agency Reporting Requirements for the Financial Report of the United States Government* (July 27, 2017)

This chapter describes how agencies provide data for the *Financial Report of the United States Government* using the Government wide Treasury Account Symbol Adjusted Trial Balance System (GTAS) and the Government wide 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-Balances.

TFM Volume I, Part 5, Chapter 5000: *Unpaid Checks* (July 31, 2017)

This chapter provides instructions for federal agencies to follow to recover funds from unpaid checks, including uncollected and lost checks, as well as returned items.

TFM Volume I, Part 4A, Chapter 3000: *Requirements for Scheduling Payments Disbursed by the Bureau of the Fiscal Service* (October 17, 2017)

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 5, Chapter 7000: *Credit and Debit Card Collection Transactions* (November 7, 2017)

This chapter consolidates existing guidance and provides the requirements that federal agencies must follow when collecting obligations via credit or debit card.

TFM Volume II, Part 2, Chapter 1000: *Processing Deposits To Treasury's General Account: Introduction* (November 20, 2017)

This chapter prescribes procedures that Federal Reserve Banks use for processing credits and debits to Treasury's General Account and Fiscal Service's specific reporting.

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

Bulletin No.2017-10: *Reporting Suspense Account Activity Using F3875 and F3885 and Using Default Accounts F3500 and F3502 as a Central Accounting Reporting System (CARS) Reporter* (July 3, 2017)

This bulletin outlines the options and guidance available for federal program agencies to report transactions that they are unable to classify to the proper Treasury Account Symbols at the point of origin. It also provides reporting guidance for the Shared Accounting Module default clearing accounts F3500 for proprietary payments and collections and F3502 for Intra-Governmental Payment and Collection.

Bulletin No. 2017-11: *Using the Prior-Year Adjustment Attribute Required by the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) for Reporting, Submitting, and Tracking Treasury Backdated Documents* (July 27, 2017)

This bulletin reminds federal program agencies that they must use a U.S. Standard General Ledger (USSGL) attribute when submitting GTAS trial balances that Treasury and OMB use to produce budget execution reports. In addition, this bulletin provides guidance for processing prior-year backdated transactions in CARS using OMB's Backdated Treasury Document Request MAX community page.

Bulletin No. 2017-08: *2017 Year-End Closing* (July 27, 2017)

This bulletin provides agencies with guidance for preparing year-end closing reports and other financial reports. It also contains the deadlines by which agencies must submit fiscal year 2017 financial data to Treasury for timely certification and reporting.

Bulletin No. 2017-09: *Implementation of SFFAS No. 47, Reporting Entity, to be effective fiscal year 2018* (August 15, 2017)

This bulletin provides the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standards (SFFAS) No. 47, *Reporting Entity*, determinations that are received by the entities, reviewed by the Working Group, and approved by the SFFAS No. 47 Steering Committee. The determinations are listed in Sections 5, 6, and 7 (Consolidated Entities, Disclosure Entities, and Related Party, respectively). The bulletin includes additional reporting guidance for agencies with a determination of disclosure or related party. It also includes transaction guidance for agencies that use the Treasury Account Symbol associated with the disclosure or related party entities.

Bulletin No. 2017-07: *Change to USSGL Supplement Bulletin No. 2017-06, U.S. Standard General Ledger (USSGL) - A Treasury Financial Manual (TFM) Supplement* (August 3, 2017)

This bulletin notifies agencies that part 1 and part 2 of the USSGL Supplement has been revised for fiscal years 2017 and 2018.

Bulletin No. 2017-12: *Agency No-Cash or No-Check Policies* (September 18, 2017)

This bulletin sets forth Fiscal Service's policy on agencies adopting a no-cash or a no-check policy. The term cash is intended to encompass currency or coin, or both. Agencies may decide not to accept payments made in cash or by check, so before adopting a no-cash or a no-check policy, an agency should determine whether the policy will be more beneficial than not to the operation of the program generating the payments.

Bulletin No. 2017-13: *Publication of Federal Account Symbols and Titles FAST Book I and FAST Book II* (October 26, 2017)

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. 2017-16: *Change to USSGL Supplement Bulletin No. 2017-06, U.S Standard General Ledger (USSGL) – A Treasury Financial Manual (TFM) Supplement* (December 21, 2017)

This bulletin notifies agencies that part 1 and part 2 of the USSGL Supplement has been revised for fiscal years 2017 and 2018.

Bulletin No. 2018-01: *Current Value of Funds Rate (CVFR)* (December 20, 2017)

The Secretary of the Treasury is responsible for computing and publishing the rate that is used for federal debt collection, cash discounts, and rebate evaluation. The CVFR is a percentage based on the current value of funds to Treasury.

Accounting Standards and Guidance

Federal Accounting Standards Advisory Board

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

Statement of Federal Financial Accounting Concepts 8: *Federal Financial Reporting* (September 2017)

This concepts statement discusses the role of financial statements and required supplementary information (RSI) and their relationship to other reported financial and nonfinancial information. This statement also discusses (1) the content and presentation of financial statements and RSI for government-wide and component reporting entities, (2) the presentation of budgetary information in component reporting entity financial statements and RSI, (3) the presentation of performance information in financial statements and RSI, and (4) the summary-level information relating to financial statements and RSI.

Statement of Federal Financial Accounting Standards (SFFAS) No. 53: *Budget and Accrual Reconciliation* (October 2017)

This statement amends requirements for reconciliation between budgetary and financial accounting information established by SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*. To increase informational value and usefulness, and to support the government-wide financial statement reconciling net operating cost to the budget deficit, this statement provides for the budget and accrual reconciliation (BAR) to replace the statement of financing. The BAR explains the relationship between the entity's net outlays on a budgetary basis and the net cost of operations during the reporting period. The requirements of this statement are effective for reporting periods beginning after September 30, 2018.

Technical Releases ([Click here for link](#))

Technical Release 18: *Implementation Guidance for Establishing Opening Balances* (October 2017)

This technical release provides additional guidance to reporting entities in applying alternative methods for establishing opening balances for general property, plant, and equipment. This release explains the alternative valuation methods in detail and describes examples of the acceptable types of documentation that may support the valuation as outlined in SFFAS 6, *Accounting for Property, Plant, and Equipment*, as amended.

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

Technical Bulletin 2017-1: *Intragovernmental Exchange Transactions* (November 2017)

This technical bulletin clarifies existing standards regarding intragovernmental exchange transactions. SFFAS 5, *Accounting for Liabilities of the Federal Government*, and SFFAS 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, define exchange transactions and exchange revenue, respectively. The bulletin provides guidance to aid in determining whether intragovernmental arrangements are exchange transactions.

Technical Bulletin 2017-2: *Assigning Assets to Component Reporting Entities* (November 2017)

This technical bulletin provides guidance to address areas not directly covered in existing statements and clarifies existing standards. The bulletin provides that a reporting entity may assign assets to its component reporting entities on a rational and consistent basis. This bulletin facilitates reporting for large and complex organizations that is better aligned with their operations and results in less costly financial reporting by permitting a reporting entity to align reporting with established funding and governance structures. It also reduces the barriers to and cost of adopting generally accepted accounting principles.

Financial Accounting Standards Board (FASB)

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

Accounting Standards Update No. 2017-11; *Earnings Per Share (Topic 260); Distinguishing Liabilities from Equity (Topic 480); Derivatives and Hedging (Topic 815): (Part I) Accounting for Certain Financial Instruments with Down Round Features, (Part II) Replacement of the Indefinite*

Deferral for Mandatorily Redeemable Financial Instruments of Certain Nonpublic Entities and Certain Mandatorily Redeemable Noncontrolling Interests with a Scope Exception (July 2017)

Accounting Standards Update No. 2017-12: *Derivatives and Hedging (Topic 815): Targeted Improvements to Accounting for Hedging Activities* (August 2017)

Accounting Standards Update No. 2017-13: *Revenue Recognition (Topic 605), Revenue from Contracts with Customers (Topic 606), Leases (Topic 840), and Leases (Topic 842): Amendments to SEC Paragraphs Pursuant to the Staff Announcement at the July 20, 2017 EITF Meeting and Rescission of Prior SEC Staff Announcements and Observer Comments* (September 2017)

Accounting Standards Update No. 2017-14: *Income Statement—Reporting Comprehensive Income (Topic 220), Revenue Recognition (Topic 605), and Revenue from Contracts with Customers (Topic 606): Amendments to SEC Paragraphs Pursuant to Staff Accounting Bulletin No. 116 and SEC Release No. 33-10403* (November 2017)

Accounting Standards Update No. 2017-15: *Codification Improvements to Topic 995, U.S. Steamship Entities: Elimination of Topic 995* (December 2017)

Government Accounting Standards Board (GASB)

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

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

Internal Audit Guidance

Institute of Internal Auditors (IIA)

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

Engagement Planning: Establishing Objectives and Scope (August 2017)

This guide offers guidance on how internal auditors can use a risk and control matrix and heat map to prioritize the risks and then use the results to form the engagement objectives and scope, in conformance with the standards. Established engagement objectives and scope enable internal auditors to focus on the significant risks in the area or process under review, develop the engagement work program, and communicate clearly with management and the board.

Engagement Planning: Assessing Fraud Risks (October 2017)

This guide describes the characteristics of fraud and the process of identifying and assessing fraud risks when planning individual audit engagements.

Auditing Liquidity Risk: An Overview (December 2017)

This guide provides a historical perspective on the regulatory environment related to liquidity risk, reviews the fundamental principle for the management of liquidity risk, and explains why it is important for a financial institution.

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

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