



# Memorandum

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**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. 66, July 2016 through December 2016

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 (PSU) Number 65

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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 standards or other relevant material in the period covered by this PSU.

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

AICPA did not issue standards or other relevant material in the period covered by this PSU.

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

##### *General Accounting and Auditing Development – 2016/2017 (October 2016)*

This alert contains new accounting and auditing guidance related to derivatives and hedging, service concession agreements, discontinued operations, and stock compensation.

##### *Government Auditing Standards and Single Audit Developments – 2016/2017 (October 2016)*

This alert focuses on areas of change in audits performed under the Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as well as current and emerging practice issues for audits performed under Government Auditing Standards and the OMB Uniform Guidance.

##### *Developments in Preparation, Compilation and Review Engagements- 2016/2017 (November 2016)*

This alert covers the latest developments for preparation, compilation, and review engagements. Topics include the issuance of Statement on Standards for Accounting and Review Services (SSARS) No. 22 and SSARS No. 23 and the proposed related to using the work of other accountants and specified procedures. The alert also covers compilation of pro forma financial information and preparation and compilation of prospective financial information.

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

##### *Special Considerations in Auditing Financial Instruments (October 2016)*

This guide provides an in-depth understanding of financial instruments and practical assistance for auditors in developing an effective audit approach to address risks.

##### *Property and Liability Insurance Entities (December 2016)*

This guide provides an overview of the insurance industry, its products and regulatory issues, and its related transaction cycles. Relevant guidance contained in standards issued through July 1, 2016, is covered, including the Financial Accounting Standards Board's Accounting Standards Update No. 2015-09 and updates to Statement of Standard Accounting Practice No. 107, which have a major effect on insurance entities.

**Statement on Standards for Attestation Engagements (SSAE) Issued after June 30, 2016**  
([Click here for link](#))

SSAE No. 18, *Attestation Standards: Clarification and Recodification* (August 2016)

To address concerns about the clarity, length, and complexity of its standards, the Auditing Standards Board established clarity drafting conventions and undertook a project to redraft all the standards it issues in clarity format. The redrafting of SSAE No. 18 represents the culmination of that process.

## **Regulatory Requirements**

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

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

OMB Circular No. A-133, *Audits of States, Local Governments, and Non-Profit Organizations: "Compliance Supplement"* (July 2016)

This supplement identifies existing important compliance requirements that the federal government expects to be considered as part of an audit required by the Single Audit Act Amendments of 1996. The *Compliance Supplement* is revised annually.

OMB Circular No. A-11, *Preparation, Submission and Execution of the Budget* (Revised July 1, 2016)

This revised guide provides guidance on preparing the fiscal year 2018 budget and instructions on budget execution.

OMB Circular No. A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control* (Revised July 15, 2016)

This circular defines management's responsibilities for enterprise risk management (ERM) and internal control. The circular provides updated implementation guidance to federal managers to improve accountability and effectiveness of both federal programs and mission-support operations by implementing ERM practices and by establishing, maintaining, and assessing internal control effectiveness. The circular emphasizes the need to integrate and coordinate risk management and strong and effective internal control into existing business activities, as they are integral to managing an agency.

OMB Circular No. A-130, *Managing Federal Information as a Strategic Resource* (July 28, 2016)

This revised guide establishes general policy for the planning, budgeting, governance, acquisition, and management of federal information, personnel, equipment, funds, information technology resources, and supporting infrastructure and services.

OMB Circular No. A-136, *Financial Reporting Requirements* (Revised September 7, 2016)

This circular establishes a central point of reference for all federal financial reporting guidance for executive branch departments, agencies, and entities that are required to submit audited financial statements, interim financial statements, and performance and accountability reports or agency financial reports under the Chief Financial Officers Act of 1990, as amended; the Government Management Reform Act of 1994; and the Accountability of Tax Dollars Act of 2002, and to submit annual management reports under the Government Corporations Control Act.

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

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

TFM Volume I, Part 2, Chapter 1000: “Introduction” (July 2016)

This chapter provides procedures and formats that government agencies are to use in reporting accounting transactions to Treasury and the Bureau of the Fiscal Service (Fiscal Service).

TFM Volume I, Part 2, Chapter 4700: “Agency Reporting Requirements for the Financial Report of the United States Government” (July 2016)

This chapter describes how agencies provide data for the *Financial Report of the United States Government* using the Governmentwide Financial Report System and Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS). It also includes the Fiscal Service Closing Package methodology, the Federal Intragovernmental Transactions process, and requirements for submitting preclosing GTAS-adjusted trial balances.

TFM Volume II, Part 5, Chapter 2000: “CASH TRACK Transmittals” (September 2016)

This chapter provides 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 4A, Chapter 2000: “Overall Disbursing Rules for All Federal Agencies” (October 2016)

This chapter provides guidance to all federal agencies on the overall disbursing rules.

TFM Volume I, Part 4A, Chapter 3000: “Requirements for Scheduling Payments Disbursed by the Bureau of the Fiscal Service” (October 2016)

This chapter describes requirements for disbursing transactions and scheduling and classifying domestic and international payments that Fiscal Service disburses, as authorized by Treasury.

TFM Volume I, Part 4A, Chapter 4000: “Requirements for Non-Treasury Disbursing Officers” (October 2016)

This chapter addresses applications and payment-related processes under the authority of Fiscal Service’s Payment Management unit, when payments are not processed by Fiscal Service.

TFM Volume I, Part 5, Chapter 6000: “Foreign Checks and Currency Drawn on Foreign Banks” (December 2016)

This chapter provides instructions for federal agencies on depositing foreign checks and currency drawn on foreign banks.

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

Treasury Bulletin No. 2016-06, *2016 Year-end Closing* (July 2016)

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 2016 financial data to Fiscal Service for timely certification and reporting.

Treasury Bulletin No. 2016-07, *U.S. Standard General Ledger (USSGL) - A Treasury Financial Manual (TFM) Supplement* (August 2016)

This bulletin notifies agencies that parts 1 and 2 of USSGL Bulletin No. 2016-05 have been revised for fiscal years 2016 and 2017.



## **Accounting Standards and Guidance**

### **Federal Accounting Standards Advisory Board (FASAB)**

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

Statement of Federal Financial Accounting Standards (SFFAS) No. 50, *Establishing Opening Balances for General Property, Plant, and Equipment: Amending Statement of Federal Financial Accounting Standards (SFFAS) 6, SFFAS 10, SFFAS 23, and Rescinding SFFAS 35* (August 2016)

This SFFAS amends SFFAS No. 6, *Accounting for Property, Plant, and Equipment*; SFFAS No. 10, *Accounting for Internal Use Software*; and SFFAS No. 23, *Eliminating the Category National Defense Property, Plant, and Equipment*, and rescinds SFFAS No. 35, *Estimating the Historical Cost of General Property, Plant, and Equipment: Amending Statements of Federal Financial Accounting Standards 6 and 23*, by providing implementation guidance on allowing a reporting entity, under specific conditions, to apply alternative methods in establishing opening balances for general property, plant, and equipment.

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

FASAB did not issue technical releases in the period covered by this PSU.

### **Financial Accounting Standards Board**

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

Accounting Standards Update No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities* (August 2016)

Accounting Standards Update No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (a consensus of the Emerging Issues Task Force)* (August 2016)

Accounting Standards Update No.2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory* (October 2016)

Accounting Standards Update No. 2016-17, *Consolidation (Topic 810): Interests Held through Related Parties That Are under Common Control* (October 2016)

Accounting Standards Update No.2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash (A Consensus of the FASB Emerging Issues Task Force)* (November 2016)

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

#### **GASB Statement** ([Click here for link](#))

Statement No. 83, *Certain Asset Retirement Obligations* (November 2016)

This statement addresses accounting and financial reporting for certain asset retirement obligations (ARO). An ARO is a legally enforceable liability associated with the retirement of a

tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this statement. The requirements of this statement are effective for reporting periods beginning after June 15, 2018.

## **Risk Management Guidance**

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

#### **Practice Guides** ([Click here for link](#))

*Audit Reports: Communicating Assurance Engagement Results* (October 2016)

This report offers guidance to audit practitioners on how to effectively communicate the results of internal audit engagements to stakeholders. The guide addresses key considerations such as tailoring the report to multiple audiences, structuring the report to maximize impact, and accounting for follow-up and corrective action.

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

IIA Implementation Guides and Practice Advisories assist internal auditors in applying the standards. They collectively address internal auditing approaches, methodologies, and considerations, but do not detail processes or procedures.

All revised standards below have an effective date of January 1, 2017.

*Implementation Guide 1100: Independence and Objectivity* (November 2016)

*Implementation Guide 1110: Organizational Independence* (November 2016)

*Implementation Guide 1111: Direct Interaction with the Board* (November 2016)

*Implementation Guide 1120: Individual Objectivity* (November 2016)

*Implementation Guide 1130: Impairment to Independence and Objectivity* (November 2016)

*Implementation Guide 1200: Proficiency and Due Professional Care* (November 2016)

*Implementation Guide 1210: Proficiency* (November 2016)

*Implementation Guide 1220: Due Professional Care* (November 2016)

*Implementation Guide 1230: Continuing Professional Development* (November 2016)

*Implementation Guide 2000: Managing the Internal Audit Activity* (October 2016)

*Implementation Guide 2010: Planning* (October 2016)

*Implementation Guide 2020: Communication and Approval* (October 2016)

*Implementation Guide 2030: Resource Management (October 2016)*

*Implementation Guide 2040: Policies and Procedures (October 2016)*

*Implementation Guide 2050: Coordination and Reliance (October 2016)*

*Implementation Guide 2060: Reporting to Senior Management and the Board (October 2016)*

*Implementation Guide 2500: Monitoring Progress (November 2016)*

*Implementation Guide 2600: Communicating the Acceptance of Risks (November 2016)*