



Memorandum

Date: August 9, 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. 74, April 2019 through June 2019

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. 74

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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](#))

Statement on Auditing Standards No.134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements* (May 2019)

Provisions of this statement include the following:

- Supersedes the following sections of Statement on Auditing Standards (SAS) No. 122, *Statements on Auditing Standards: Clarification and Recodification*, as amended:
 - section 700, *Forming an Opinion and Reporting on Financial Statements* [AICPA, *Professional Standards*, AU-C sec. 700]
 - section 705, *Modifications to the Opinion in the Independent Auditor's Report* [AICPA, *Professional Standards*, AU-C sec. 705]
 - section 706, *Emphasis-of-Matter Paragraphs and Other-Matter Paragraphs in the Auditor's Report* [AICPA, *Professional Standards*, AU-C sec. 706]
- Amends the following sections of SAS No. 122, as amended:
 - section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards* [AICPA, *Professional Standards*, AU-C sec. 200]
 - section 210, *Terms of Engagement* [AICPA, *Professional Standards*, AU-C sec. 210]
 - section 220, *Quality Control for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards* [AICPA, *Professional Standards*, AU-C sec. 220]
 - section 230, *Audit Documentation* [AICPA, *Professional Standards*, AU-C sec. 230]
 - section 240, *Consideration of Fraud in a Financial Statement Audit* [AICPA, *Professional Standards*, AU-C sec. 240]
 - section 260, *The Auditor's Communication With Those Charged With Governance* [AICPA, *Professional Standards*, AU-C sec. 260]
 - section 300, *Planning an Audit* [AICPA, *Professional Standards*, AU-C sec. 300]
 - section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* [AICPA, *Professional Standards*, AU-C sec. 315]
 - section 320, *Materiality in Planning and Performing an Audit* [AICPA, *Professional Standards*, AU-C sec. 320]

- section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained* [AICPA, Professional Standards, AU-C sec. 330]
- section 450, *Evaluation of Misstatements Identified During the Audit* [AICPA, Professional Standards, AU-C sec. 450]
- section 510, *Opening Balances — Initial Audit Engagements, Including Reaudit Engagements* [AICPA, Professional Standards, AU-C sec. 510]
- section 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures* [AICPA, Professional Standards, AU-C sec. 540]
- section 600, *Special Considerations — Audits of Group Financial Statements [Including the Work of Component Auditors]*, as amended [AICPA, Professional Standards, AU-C sec. 600]
- section 910, *Financial Statements Prepared in Accordance With a Financial Reporting Framework Generally Accepted in Another Country* [AICPA, Professional Standards, AU-C sec. 910]
- Amends SAS No. 132, *The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern* [AICPA, Professional Standards, AU-C sec. 570]

SAS No.135, *Omnibus Statement on Auditing Standards—2019* (May 2019)

This omnibus statement contains amendments to the following auditing standards:

- SAS No. 122, *Statements on Auditing Standards: Clarification and Recodification*, as amended, specifically, the following sections:
 - section 210, *Terms of Engagement*;
 - section 240, *Consideration of Fraud in a Financial Statement Audit*;
 - section 260, *The Auditor's Communication With Those Charged With Governance*;
 - section 265, *Communicating Internal Control Deficiencies Identified in an Audit*;
 - section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*;
 - section 330, *Performing Audit Procedures in Responses to Assessed Risks and Evaluating the Audit Evidence Obtained*;
 - section 510, *Opening Balances—Initial Audit Engagements, Including Reaudit Engagements*;
 - section 550, *Related Parties*;
 - section 560, *Subsequent Events and Subsequently Discovered Facts*;

- section 580, *Written Representations*;
- section 600, *Special Considerations—Audits of Group Financial Statements (Including the Work of Component Auditors)*; and
- section 930, *Interim Financial Information*
- SAS No. 130, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements* [AICPA, *Professional Standards*, AU-C sec. 940]

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](#))

Peer Review (PR) (early May 2019)

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

Statements on Standards for Forensic Services (FS) (June 2019)

This update issues Statement on Standards for Forensic Services No. 1 (FS section 100) and adds the new section *Statements on Standards for Forensic Services*. The Forensic and Valuation Services Executive Committee (FVS Executive Committee) issues these statements. The FVS Executive Committee provides guidance and establishes enforceable standards for members performing certain forensic and valuation services. The AICPA Council has designated the FVS Executive Committee to establish professional standards under the Compliance With Standards Rule, found in ET sections 1.310.001 and 2.310.001 of the AICPA *Code of Professional Conduct*. Members should be prepared to justify departures from this statement (ET sec. 0.100.010). This statement is effective for engagements accepted on or after January 1, 2020.

PR (June 2019)

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

Code of Professional Conduct (ET) (June 2019)

This update revises the following sections:

- “New and Revised Interpretations and Other Guidance” (ET sec. 0.600.010)
- “Hosting Services” (ET sec. 1.295.143) under the “Independence Rule” (ET sec. 1.200.001)

- “Transfer of Files and Return of Client Records in Sale, Transfer, Discontinuance or Acquisition of a Practice” (ET sec. 1.400.205) under the “Acts Discreditable Rule” (ET sec. 1.400.001)
- “Disclosing Client Information in Connection With a Quality Review” (ET sec. 1.700.110) under the “Confidential Client Information Rule” (ET sec. 1.700.001)

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

Employee Benefit Plans Industry Developments (April 2019)

This alert identifies current sources of risk within employee benefit plan audit engagements. Key topics discussed include the following:

- Master trust reporting
- New proposed auditor’s reports
- Risk assessment and control reliance
- Fee arrangements in defined contribution retirement plans
- Missing participants and uncashed checks
- Data analytics

Not-for-Profit Entities Industry Developments (April 2019)

This alert covers important developments affecting not-for-profit entities and their auditors in the coming year, as well as changes on the horizon. It includes a discussion of the upcoming changes to the auditor’s report and covers legislative and regulatory issues, such as changes to Internal Revenue Service Form 990-T.

The alert includes information on the following emerging issues:

- Revenue recognition for grants and contracts
- Accounting for leases
- Changes to the auditor’s report
- Cybersecurity
- “Parking tax” and unrelated business income tax for exempt organizations

It also includes information on the following legislative, regulatory, and standard-setter updates:

- Federal Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*
- FASB ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*
- FASB ASU No. 2018-08, *Not-For-Profit Entities (Topic 958): Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*
- Changes to the auditor’s report
- 2017 Tax Cuts and Jobs Act

Employee Benefit Plans Industry Developments — 2018/19 (May 2019)

This edition is revised to remove the discussion of association health plans because of recent court rulings against such plans.

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

Special Considerations in Auditing Financial Instruments (May 2019)

This guide, which was originally discontinued in December 2018, has been reinstated. The guide is reinstated as of its most recent release, dated September 2016, while a future update is in progress.

SOC 2® Reporting on Controls at a Service Organization: Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy (May 2019)

This guide is revised with changes to the preface and the inclusion of an additional appendix.

Government Auditing Standards and Single Audits (June 2019)

This audit guide is a resource for auditors performing compliance audits under *Government Auditing Standards* (Yellow Book) and *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Based on *Government Auditing Standards, 2011 Revision*, this edition provides up-to-date information and expert guidance on single audits and Uniform Guidance compliance audit requirements, including example auditor reports for the reporting required under both *Government Auditing Standards* and the Uniform Guidance.

Key features and benefits include the following:

- Understanding the complexities of *Government Auditing Standards*, including the requirements related to auditor independence.
- Understanding the requirements for performing a Uniform Guidance compliance audit, including major program determination.
- Understanding the unique audit areas related to a compliance audit of federal awards, including internal control over compliance for major programs.
- Properly reporting on the single audit using the illustrative auditor's reports for both the financial statement audit performed under *Government Auditing Standards* and the compliance audit performed under the Uniform Guidance.

State and Local Governments (June 2019)

This guide provides information to state and local government auditors of complex areas, such as pensions and postemployment benefits other than pensions, and provides complete coverage of audit and accounting considerations critical for both preparers and auditors. This edition includes dual guidance for accountants and auditors for early implementing of Government Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. It also provides insights, comparisons, and best practices for financial reporting and the financial reporting entity, revenue and expense recognition, capital asset accounting, the elements of net position, accounting for fair value, municipal securities offerings, and tax abatements. This guide will help both auditors and financial statement preparers in state and local governments to solve complex accounting and reporting issues and implement newly issued authoritative accounting and auditing standards.

Regulatory updates include the following:

- GASB Statement No. 83, *Certain Asset Retirement Obligations*
- GASB Statement No. 84, *Fiduciary Activities*
- GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

International Auditing and Assurance Standards Board

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

ISA 540 (Revised) Implementation Support: Flow Charts and Diagram

The International Standard on Auditing (ISA) 540 (Revised) Implementation Working Group developed two flowcharts and a diagram to support the understanding, and effective implementation, of the standard.

- *Flowchart 1: ISA 540 (Revised) – Requirements*, explains the flow of the requirements in ISA 540 (Revised).
- *Flowchart 2: ISA 540 (Revised) – Three Testing Approaches*, provides an overview of the requirements [paras.18–29 of ISA 540 (Revised)] relating to the three testing approaches, including the linkages between the testing approaches.
- *Diagram 1: Linkages between ISA 540 (Revised) and Other ISAs*, shows the interrelationship of the requirements in ISA 540 (Revised) and other ISAs. This information will help auditors understand the key linkages and in applying all relevant requirements related to auditing accounting estimates and disclosures.

Regulatory Requirements

Office of Management and Budget (OMB)

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

Circular A-11, *Preparation, Submission, and Execution of the Budget* (June 28, 2019)

Circular A-136, *Financial Reporting Requirements – Revised* (June 28, 2019)

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

M-19-14, *Guidance on Compliance with the Congressional Review Act* (April 11, 2019)

M-19-15, *Improving Implementation of the Information Quality Act* (April 24, 2019)

M-19-16, *Centralized Mission Support Capabilities for the Federal Government* (April 26, 2019)

M-19-17, *Enabling Mission Delivery through Improved Identity, Credential, and Access Management* (May 21, 2019)

M-19-18, *Federal Data Strategy – A Framework for Consistency* (June 4, 2019)

M-19-19, *Update to Data Center Optimization Initiative* (June 25, 2019)

M-20-19, *Guidance on the Applicability of E.O. 13807 to Responsible Entities Assuming Department of Housing and Urban Development Environmental Review Responsibilities* (June 28, 2019)

M-21-19, *Transition of Electronic Records* (June 28, 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 4A, Chapter 3000: *Requirements for Scheduling Payments Disbursed by the Bureau of the Fiscal Service* (April 9, 2019)

This chapter prescribes requirements for disbursing transactions and scheduling and classifying domestic and international payments that the Bureau of the Fiscal Service (Fiscal Service) disburses, as authorized by Treasury.

TFM Volume I, Part 6, Chapter 3000: *Payments of Unclaimed Moneys and Refund of Moneys Erroneously Received and Covered* (April 9, 2019)

This chapter prescribes procedures that apply to all federal departments and agencies that handle unclaimed moneys belonging to individuals, businesses, or other entities. The unclaimed moneys provisions of this chapter do not apply to funds held in trust for individual Indians, associations of individual Indians, or certain Indian corporations. This chapter also prescribes procedures for making refunds of collections or other receipts erroneously received and covered into the Treasury.

TFM Volume I, Part 2, Chapter 4800: *Responsibilities Relating to Non-Credit Reform Borrowing Accounts* (May 16, 2019)

This chapter prescribes the responsibilities, policies, and procedures that Treasury has established for federal agencies that have been granted authority by law to borrow funds from Treasury, other than federal agencies that borrow from Treasury under the Federal Credit Reform Act of 1990, as amended (FCRA). See TFM Volume I, Part 2, Chapter 4600, for guidance on borrowing from Treasury under FCRA.

TFM Volume I, Part 2, Chapter 4700: *Federal Entity Reporting Requirements for the Financial Report of the United States Government* (May 30, 2019)

This chapter prescribes how federal entities provide data for the *Financial Report of the United States Government* using the Governmentwide Treasury Account Symbol Adjusted Trial Balance System (GTAS) along with additional details from the audited department-level financial statements. This chapter also includes information on the federal entities included in the financial report, the intragovernmental transactions process, and requirements for submitting the preclosing GTAS Adjusted Trial Balance. Refer to OMB Circular No. A-136 for the reporting requirements for federal entities' audited financial statements.

TFM Volume II, Part 2, Chapter 2000: *Voucher Documents* (May 30, 2019)

This chapter prescribes procedures for Federal Reserve Banks' processing of credit and debit vouchers.

TFM Volume II, Part 2, Chapter 3000: *Bank Cash Data* (May 30, 2019)

This chapter describes the Federal Reserve Banks' procedures for processing credits and debits to Treasury's General Account.

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

Bulletin No. 2019-07: *Federal Account Symbols and Titles (FAST Book)* (April 17, 2019)

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

Bulletin No. 2019-10: *U.S. Standard General Ledger (USSGL) — A Treasury Financial Manual (TFM) Supplement* (June 6, 2019)

This bulletin revises the USSGL and replaces all previous amendments.

Accounting Standards and Guidance

Federal Accounting Standards Advisory Board (FASAB)

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

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

Financial Accounting Standards Board (FASB)

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

Accounting Standards Update No. 2019-04: *Codification Improvements to Topic 326, Financial Instruments—Credit Losses, Topic 815, Derivatives and Hedging, and Topic 825, Financial Instruments* (April 2019)

Accounting Standards Update No. 2019-05: *Financial Instruments—Credit Losses (Topic 326)* (May 2019)

Accounting Standards Update No. 2019-06: *Intangibles—Goodwill and Other (Topic 350), Business Combinations (Topic 805), and Not-for-Profit Entities (Topic 958)* (May 2019)

Government Accounting Standards Board (GASB)

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

Statement No.91, *Conduit Debt Obligations* (May 2019)

The primary objectives of this statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments that issuers extended, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation, establishing that a conduit debt obligation is not a liability of the issuer, establishing standards for accounting and financial reporting of additional commitments and voluntary commitments that issuers extended and arrangements associated with conduit debt obligations, and improving required note disclosures. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.

Internal Audit Guidance

Institute of Internal Auditors (IIA)

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

IIA did not issue supplemental guidance or other relevant material during the period covered by this *Professional Standards Update*.

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

IIA did not issue implementation guides or other relevant material during the period covered by this *Professional Standards Update*.