



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. 76, October 2019 through December 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. This PSU highlights the effective dates of selected standards reported previously that are expected to affect auditors at the time of or shortly after issuance of the most recent update.

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Professional Standards Update No. 76

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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 (SAS) No. 138, *Amendments to the Description of the Concept of Materiality* (December 2019)

This statement amends various sections of SAS 122, SAS 134, and SAS 136, as discussed below.

SAS No. 122, *Clarification and Recodification*, 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 320, Materiality in Planning and Performing an Audit [AICPA, Professional Standards, AU-C sec. 320];
- Section 450, Evaluation of Misstatements Identified During the Audit, [AICPA, Professional Standards, AU-C sec. 450]; and
- Section 600, Special Considerations — Audits of Group Financial Statements (Including the Work of Component Auditors) [AICPA, Professional Standards, AU-C sec. 600]

SAS No. 134, *Auditor Reporting and Amendments, Including Amendments Addressing Disclosures in the Audit of Financial Statements*, as amended

- Section 700, Forming an Opinion and Reporting on Financial Statements [AICPA, Professional Standards, AU-C sec. 700]

SAS No. 136, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA* [AICPA, Professional Standards, AU-C sec. 703]

These amendments are effective for audits of financial statements and Employee Retirement Income Security Act of 1974 (ERISA) plan financial statements for periods ending on or after December 15, 2020.

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

Statement on Standard for Attestation Engagements (SSAE) No. 19, *Agreed-Upon Procedures Engagements* (December 2019)

This statement supersedes SSAE No. 18, *Attestation Standards: Clarification and Recodification*, AT-C section 215, *Agreed-Upon Procedures Engagements*, and amends SSAE No. 18 AT-C section 105, *Concepts Common to All Attestation Engagements*.

This section contains performance and reporting requirements and application guidance for all agreed-upon procedures engagements. The requirements and guidance in this section

supplement the requirements and guidance in AT-C section 105, *Concepts Common to All Attestation Engagements*.

An agreed-upon procedures engagement is an attestation engagement in which a practitioner performs specific procedures on subject matter and reports the findings without providing an opinion or conclusion. The subject matter may be financial or nonfinancial information. Because the needs of an engaging party may vary widely, the nature, timing, and extent of the procedures may vary as well.

In an engagement performed in accordance with this section, the practitioner does not perform an examination or a review engagement and does not provide an opinion or conclusion. Instead, the agreed-upon procedures report is in the form of procedures and findings.

When a practitioner performs services pursuant to an engagement to apply agreed-upon procedures to subject matter as part of or in addition to form of service, this section applies only to those services described in this standard; other professional standards would apply to the other services. A practitioner's report on applying agreed-upon procedures to subject matter may be combined with a report on such other services, provided the types of services can be clearly distinguished and the applicable standards for each service are followed.

This amendment is effective for practitioners' reports dated on or after July 15, 2021. Early implementation is permitted.

SSAE No. 20, *Amendments to the Description of the Concept of Materiality* (December 2019)

This statement amends the following sections of SSAE No. 18, *Attestation Standards: Clarification and Recodification*:

- Section 205, Examination Engagements [AICPA, Professional Standards, AT-C sec. 205]
- Section 210, Review Engagements [AICPA, Professional Standards, AT-C sec. 210]

These amendments are effective for examination reports and review reports dated on or after December 15, 2020. Early implementation is permitted.

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

Interpretation No. 5, *Communicating Critical Audit Matters When Reporting on Audits Conducted in Accordance With Auditing Standards Generally Accepted in the United States of America and the Standards of the PCAOB* (October 2019)

This update adds Interpretation No. 5, "Communicating Critical Audit Matters When Reporting on Audits Conducted in Accordance With Auditing Standards Generally Accepted in the United States of America and the Standards of the PCAOB," (AU-C sec. 9700A par. .22–.26) to AU-C section 700A, *Forming an Opinion and Reporting on Financial Statements*.

AR-C sections 60A, *General Principles for Engagements Performed in Accordance With Statements on Standards for Accounting and Review Services*, and 90A, *Review of Financial Statements* (December 2019)

These sections have been removed because of the effective date of Statement on Standards for Accounting and Review Services No. 24, *Omnibus Statement on Standards for Accounting and Review Services—2018*.

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

General Accounting and Auditing Developments (ara-gen) (December 2019)

This alert provides auditors with an overview of recent economic, industry, technical, regulatory, and professional developments that may affect how auditors conduct audits and other engagements.

Key updates include the following:

- economic and industry developments
- legislative and regulatory developments
- audit and attestation issues and developments
- revenue recognition
- new lease standard
- accounting for financial instruments and
- recent AICPA independence developments

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

AICPA did not issue other guidance during the period covered by this *Professional Standards Update*.

International Auditing and Assurance Standards Board (IAASB)

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

International Standard on Auditing (ISA) 315 (Revised 2019), *Identifying and Assessing the Risks of Material Misstatement and Conforming and Consequential Amendments to Other International Standards Arising from ISA 315 (Revised 2019)* (December 2019)

This standard addresses the auditor's responsibility to identify and assess the risks of material misstatement in the financial statements. Risks at the financial statement level relate pervasively to the financial statements as a whole and potentially affect many assertions. Risks of material misstatement at the assertion level consist of two components, inherent and control risk. Inherent risk is described as the susceptibility of an assertion about a class of transaction, account balance, or disclosure to a misstatement that could be material, either individually or when aggregated with other misstatements, before consideration of any related controls. Control risk is described as the risk that a misstatement that could occur in an assertion about a class of transaction, account balance, or disclosure that could be material, either individually or when aggregated with other misstatements, and will not be prevented, or detected and corrected, on a timely basis by the entity's system of internal control. This standard is effective for audits of financial statements for periods beginning on or after December 15, 2021.

Regulatory Requirements

Office of Management and Budget (OMB)

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

OMB Circular A-11, *Preparation, Submission and Execution of the Budget Preparation, Submission and Execution of the Budget* (Revised 12/18/2019)

OMB Circular A-45, *Rental and Construction of Government Quarters* (November 25, 2019)

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 17, 2019)

Table of Past Years Discount Rates from Appendix C of OMB Circular No. A-94 (December 17, 2019)

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

M-20-01, *Anti-Trafficking Risk Management Best Practices & Mitigation Considerations* (October 21, 2019)

M-20-02, *Guidance Implementing Executive Order 13891, Titled “Promoting the Rule of Law Through Improved Agency Guidance Documents”* (October 31, 2019)

M-20-03, *Implementation of Agency-wide Real Property Capital Planning* (November 6, 2019)

M-20-04, *Fiscal Year 2019-2020 Guidance on Federal Information Security and Privacy Management Requirements* (November 19, 2019)

M-20-05, *Implementation of Penalty Inflation Adjustments for 2020, Pursuant to the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015* (December 16, 2019)

M-20-06, *Revoking OMB Memorandum M-05-13 and Providing Other Information on Administrative PAYGO Implementation Guidance* (December 16, 2019)

M-20-07, *2020 Discount Rates for OMB Circular No. A-94* (December 17, 2019)

Department of the Treasury (Treasury)

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

TFM Volume I, Part 5, Chapter 1500: *General Terms and Conditions Governing Collection Services* (October 9, 2019)

This chapter describes general terms and conditions governing collection services that the Bureau of the Fiscal Service (Fiscal Service) provides to federal agencies.

TFM Volume I, Part 1, Chapter 2000: *Financial Operations Startup Procedures for New Federal Entities* (October 15, 2019)

This chapter provides guidance and startup procedures for new federal entities related to fiscal accounting and reporting and certain financial operations.

TFM Volume I, Part 4, Chapter 5000: *Requisitioning, Preparing, and Issuing Treasury Checks* (November 22, 2019)

This chapter prescribes Treasury's procedures for disbursing officers' use in requisitioning, preparing, and issuing 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 3, Chapter 6100: *Centralized Offset of Assigned Payments* (November 26, 2019)

This chapter prescribes how the Treasury Offset Program (TOP) works with regard to the offset of assigned payments. Treasury's Fiscal Service serves as the primary disbursing office for the federal government. Fiscal Service also operates TOP to collect delinquent federal and state debts by offsetting or levying payments made to delinquent debtors. The chapter also describes how centralized administrative offset (i.e., TOP) handles payments that have been assigned by the party that the United States is legally required to pay).

TFM Volume I, Part 6, Chapter 2100: *Fiscal Service Data Registry* (December 10, 2019)

This chapter prescribes Treasury's reporting instructions and provides information on Fiscal Service's Data Registry. Fiscal Service promotes the common identification, use, and appropriate sharing of financial data across the federal government. The purpose of the data registry is to provide information so that agencies better understand the context for the data they provide to Fiscal Service. In addition, the data registry allows consumers to better understand the data.

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

TFM Volume I, Bulletin No. 2020-01: *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* (October 11, 2019)

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 the Central Accounting Reporting System using OMB's Backdated Treasury Document Request MAX community page. Using this portal streamlines the tracking and approval process for Treasury backdated documents and enables agencies to monitor the real-time status of their document requests. This bulletin rescinds TFM Volume I Bulletin No. 2017-11 and is effective immediately.

TFM Volume I, Bulletin No. 2020-03: *Federal Account Symbols and Titles (FAST Book)* (October 30, 2019)

This bulletin notifies agencies that FAST Book has been revised. FAST Book provides each agency's three-digit agency identifier code for the account lists and the two-digit agency identifier code in parentheses after the agency's name for reference. This bulletin rescinds the previous bulletin, 2019-11, and is effective immediately.

TFM Volume I, Bulletin No. 2020-04: *Agency No-Cash or No-Check Policies* (November 4, 2019)

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, coin, or both. Agencies may decide not to accept payments made in cash or by check. Before adopting a no-cash or a no-check policy, an agency should determine that the policy will be more beneficial than not to the operation of the program generating the payments. Factors that an agency should take into account when making its determination include

- the agency's statutory and regulatory authorities,
- costs and benefits associated with implementing the policy and programmatic or economic reasons for adopting the policy,
- efficiencies to be gained by adopting the policy, and
- the anticipated effect of the policy on the agency's constituents.

This bulletin is effective immediately.

TFM Volume I, Bulletin No. 2020-05: *Reporting Suspense Account Activity Using F3875 and F3885 and Using Default Accounts F3500 and F3502 as a Central Accounting Reporting System (CARS) Reporter* (October 31, 2019)

This bulletin outlines the options and guidance now 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. Amounts in clearing/suspense accounts should not be used to make outlays or payments. In addition, this bulletin 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.

TFM Volume I, Bulletin No. 2020-06: *Current Value of Funds Rate (CVFR)* (November 22, 2019)

The Secretary of the Treasury is responsible for computing and publishing the rate used for federal debt collection, cash discounts, and rebate evaluation. CVFR is a percentage based on the current value of funds to Treasury. This bulletin provides agencies guidance for when to apply the CVFR rate, specifically, during the following:

- Assessing interest charges for outstanding debts owed the government.
- Evaluating the cost-effectiveness of a cash discount.
- Considering the date to pay purchase card invoices if a rebate is offered by the card issuer.

TFM Volume I, Bulletin No. 2020-07: *Required Quarterly G-Invoicing Agency Implementation Plan Updates* (November 22, 2019)

Treasury required federal program agencies to submit initial G-Invoicing Agency Implementation Plans by June 28, 2019. These plans guide federal program agency development for stakeholders and are used to gather information that Treasury shares with trading partners across the government. This bulletin requires the agencies to submit quarterly updates to their G-Invoicing Agency Implementation Plans. The agencies need to include any changes to their system/process readiness and implementation/data strategy. Treasury will review and analyze these updates.

TFM Volume I, Bulletin No. 2020-08: *Changes to U.S. Standard General Ledger (USSGL) — A Treasury Financial Manual (TFM) Supplement* (December 19, 2019)

This bulletin notifies agencies that part 1 and part 2 of the USSGL have been revised for fiscal years 2019 and 2020.

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. 2019-08: *Compensation—Stock Compensation (Topic 718) and Revenue from Contracts with Customers (Topic 606)* (November 2019)

Accounting Standards Update No. 2019-09: *Financial Services—Insurance (Topic 944)* (November 2019)

Accounting Standards Update 2019-10: *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)* (November 2019)

Accounting Standards Update No. 2019-11: *Codification Improvements to Topic 326, Financial Instruments—Credit Losses* (November 2019)

Accounting Standards Update No. 2019-12: *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes* (December 2019)

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)

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*.

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

Practice Guide: *Unique Aspects of Internal Auditing in the Public Sector* (October 2019)

This guidance will enable internal auditors to

- understand the definition of public sector and the types of public sector organizations;
- recognize public sector governance roles and how they may affect internal audit principles, such as organizational independence and unrestricted access;
- incorporate additional standards and requirements specific to the public sector;
- assess the organization's commitment to ethical governance principles; and
- identify the types of engagements performed in the public sector and how to plan them.

Practice Guide: *Auditing Culture* (November 2019)

This practice guide will help internal auditors understand risks associated with an organization's culture, how effective management of those risks supports a successful control environment, and how to approach an assessment of culture. This guidance will enable internal auditors to

- understand the business significance of culture and conduct risk in an organization's control environment;
- identify the key components of culture and conduct risk;
- understand key stakeholder concerns and expectations related to culture and conduct risk;
- recognize internal audit's role in assessing and reporting on organizational culture; and
- understand, based on example tools/guidance, possible approaches to assessing and reporting on an organization's culture and management of conduct risk.

Key Standards Coming into Effect

The following selected standards were identified in recently issued *Professional Standards Updates* as coming into effect during the period covered by the current update. Those affected

by a new standard should refer to that standard for details, as effective dates may vary in some circumstances.

AICPA, Statement on Auditing Standards No. 136, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA* (July 2019) effective for audits of ERISA plan financial statements for periods ending on or after December 15, 2020. Early implementation is not permitted. (See *Professional Standards Update* No. 75.)

AICPA, Statement on Auditing Standards No. 137, *The Auditor's Responsibilities Relating to Other Information Included in Annual Reports* (July 2019) effective for audits of financial statements for periods ending on or after December 15, 2020. Early implementation is not permitted. (See *Professional Standards Update* No. 75.)

FASAB, Interpretation of Federal Financial Accounting Standards 9, *Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 & 6* (August 16, 2019). The requirements of this interpretation are effective for reporting periods beginning after September 30, 2019. Early implementation is permitted. (See *Professional Standards Update* No. 75.)

FASAB, Statement of Federal Financial Accounting Standards 57, *Omnibus Amendments 2019* (September 27, 2019). The requirements of this standard vary by paragraph; see the standard for details. (See *Professional Standards Update* No. 75.)