



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. 67, January 2017 through June 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.¹ PSUs do not contain a complete summary of the standards. Those affected by a new standard should refer to that standard for details.

¹ The scope of this *Professional Standards Update* includes standards and related guidance issued from January 2017 through June 2017 to the extent that such materials were publicly available as of June 30, 2017. In preparing this update, we identified certain relevant materials that were issued prior to January 1, 2017, and we have included them herein.

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Professional Standards Update No. 67

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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. 132, The Auditor's Consideration of an Entity's Ability to Continue as a Going Concern (February 2017)

The AICPA's Auditing Standards Board issued this Statement on Auditing Standards (SAS) to address the auditor's responsibilities in auditing financial statements relating to the entity's ability to continue as a going concern and the implications for the auditor's report. This SAS applies to all audits of a complete set of financial statements, regardless of whether the financial statements are prepared in accordance with a general purpose or a special purpose framework. This SAS will be effective for audits of financial statements for periods ending on or after December 15, 2017.

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

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

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

Not-for-Profit Entities Industry Developments (March 2017)

This alert identifies important current developments affecting not-for-profits (NFP) and the issues auditors may face as a result of these developments. It includes key updates for Financial Accounting Standards Board Auditing Standards Update (ASU) No. 2016-14, as well as information on leases and the going concern audit standard. This alert also focuses on risks related to recent NFP trends, going concern, revenue recognition, and fair value issues.

Employee Benefit Plans Industry Developments (April 2017)

This alert covers a range of topics, such as master trust reporting, cybersecurity, new proposed auditor's reports, electronic information, limited-scope certification, new auditing standards, and going concern.

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

Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting (March 2017)

This updated guide is designed to help auditors effectively perform System and Organization Controls engagements under Attest Standard - Clarified (AT-C) section 320, *Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting*, of Statement on Standards for Attestation Engagements (SSAE) No. 18, *Attestation Standards: Clarification and Recodification* (AICPA, *Professional Standards*). This guide covers implementation challenges. In SSAE No. 18, the applicable requirements and application guidance for a service auditor's engagement are contained in three different

sections: AT-C section 105, *Concepts Common to All Attestation Engagements*; AT-C section 205, *Examination Engagements*; and AT-C section 320 (AICPA, *Professional Standards*). The information in each section is not repeated in the other sections, so a service auditor would have to focus on all three sections. This guide integrates the requirements and application guidance in the three sections in the discussion of service auditors' engagements.

Employee Benefit Plans (March 2017)

This updated guide includes expanded information on related parties and parties in interest, plan transfers, and changes in service providers, including clarification on plan transfers. In addition, this edition has been updated for requirements related to going concern and provides the main provisions of the requirements.

Not-for-Profit Entities (March 2017)

This guide provides assistance in the unique preparation, auditing, accounting, and reporting of financial statements for NFPs. It includes guidance on reporting donated services between affiliated NFPs, split-interest agreements, contributions and grants, and functional expenses and joint costs. In addition, the guide provides insight into the new FASB ASU No. 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. It offers an overview of the standard and provides guidance for determining whether to adopt the new requirements early.

Government Auditing Standards and Single Audits (April 2017)

This guide is for auditors performing audits of financial statements in accordance with *Government Auditing Standards* (Yellow Book), and assists certified public accountants (CPA) in understanding and applying those standards. It provides in-depth information regarding (1) the Uniform Guidance audit requirements, (2) implementation of the Uniform Guidance for nonfederal entities receiving federal awards, and (3) up-to-date information on performing a single audit.

Prospective Financial Information (April 2017)

This guide assists practitioners with interpreting and applying the guidance related to prospective financial information and provides interpretive guidance and implementation strategies for all preparation, compilation examination, and agreed-upon procedures for prospective financial information.

Revenue Recognition (April 2017)

This guide discusses implementation issues for the broker-dealer, gaming, health care, not-for-profit, and software industries.

Reporting on an Entity's Cybersecurity Risk Management Program and Controls (May 2017)

This guide delivers information on how to implement a cybersecurity risk management reporting framework. It provides CPAs with guidance on performing and reporting on an examination of an organization's enterprise-wide cybersecurity risk management program for organizations seeking a CPA's opinion. It also includes two sets of criteria that may be used in the examination: description criteria and control criteria.

Revenue Recognition (June 2017)

This edition includes implementation issues for the following industries: airlines, engineering and construction contractors, depository institutions, and telecommunications.

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

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

Regulatory Requirements

Office of Management and Budget (OMB)

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

M-17-27, *Assessment and Enforcement of Domestic Preferences in Accordance with Buy American Laws* (June 30, 2017)

M-17-26, *Reducing Burden for Federal Agencies by Rescinding and Modifying OMB Memoranda* (June 15, 2017)

M-17-25, *Reporting Guidance for Executive Order on Strengthening the Cybersecurity of Federal Networks and Critical Infrastructure* (May 19, 2017)

M-17-24, *Regulatory Reform Officers and Regulatory Policy Officers at Executive Departments and Agencies* (May 8, 2017)

M-17-23, *Guidance on Regulatory Reform Accountability under Executive Order 13777, titled “Enforcing the Regulatory Reform Agenda”* (April 28, 2017)

M-17-22, *Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce* (April 12, 2017)

M-17-21, *Implementing Executive Order 13771, Titled “Reducing Regulation and Controlling Regulatory Costs”* (April 5, 2017)

M-17-20, *Testimony and Public Statements on the Fiscal Year 2018 Budget* (March 17, 2017)

Spring 2017 Data Call for the *Unified Agenda of Federal Regulatory and Deregulatory Actions* (March 6, 2017)

M-17-19, *Legislative Coordination and Clearance* (February 28, 2017)

Interim Guidance Implementing Section 2 of the Executive Order of January 30, 2017, Titled “Reducing Regulation and Controlling Regulatory Costs” (February 2, 2017)

M-17-18, *Federal Civilian Hiring Freeze Guidance* (January 31, 2017)

M-17-17, *Immediate Actions and Initial Guidance for Federal Civilian Hiring Freeze* (January 25, 2017)

M-17-16, *Implementation of Regulatory Freeze* (January 24, 2017)

M-17-15, *Rescission of Memoranda Relating to Identity Management* (January 19, 2017)

M-17-14, *Guidance to Federal Agencies Regarding the Environmental Review and Authorization Process for Infrastructure Projects* (January 13, 2017)

M-17-13, *Extension of Policy to Provide Accelerated Payment to Small Businesses and Small Business Subcontractors* (January 11, 2017)

M-17-12, *Preparing for and Responding to a Breach of Personally Identifiable Information* (January 3, 2017)

OMB Bulletin No. 16-01, *Apportionment of the Continuing Resolution(s) for Fiscal Year 2017* (September 29, 2016)²

OMB Bulletin No. 16-01, *Supplement 1, Apportionment of the Continuing Resolution(s) for Fiscal Year 2017* (December 14, 2016)³

Department of the Treasury (Treasury)

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

TFM Volume I, Part 5, Chapter 7500: “Fedwire and Automated Clearing House Credit Deposits to the Account of the Bureau of the Fiscal Service” (February 2017)

This chapter describes procedures for nontax Fedwire and Automated Clearing House (ACH) credit deposits to Treasury’s Bureau of the Fiscal Service (Fiscal Service) account made through the Credit Gateway and applies to federal agencies with deposits for credit to the account of Fiscal Service made through Fedwire or the ACH Network.

Volume I, Part 2, Chapter 4600: “Treasury Reporting Instructions for Credit Reform Legislation” (March 2017)

This chapter describes Treasury’s reporting instructions for federal credit program agencies. These instructions apply to all direct loan and loan guarantee programs, except those specifically excluded by the Federal Credit Reform Act of 1990, Sections 502 and 506.

Volume I, Part 2, Chapter 3400: “Accounting for and Reporting on Cash and Investments Held Outside of the U.S. Treasury” (April 2017)

This chapter provides federal departments and agencies with Treasury’s accounting and reporting policies and procedures on cash not deposited in a Treasury General Account and investments in nonfederal securities. It also includes guidance on cash and investments held

²See footnote 1.

³See footnote 1.

outside of the U.S. Treasury and the requirements for accountable officers who have responsibilities for funds received, certified, disbursed, and held in their custody.

Volume I, Part 6, Chapter 4000: “Intragovernmental Transaction Applications - Intragovernmental Payment and Collection (IPAC) and Government Invoicing (G-Invoicing)” (May 2017)

This chapter applies to all federal program agencies that use the IPAC system to transfer funds for Buy/Sell intergovernmental transactions (IGT) and conduct Buy/Sell IGTs, intragovernmental fiduciary activities, or other intragovernmental expenditure activities. As G-Invoicing is fully implemented, its use will be required by all federal program agencies for creating and managing interagency agreements and supporting reports for Buy/Sell activity. Federal program agencies must ensure that their procedures, accounting systems, and users’ access align with the procedures and system requirements outlined in this chapter.

Volume I, Part 2, Chapter 4700: “Agency Reporting Requirements for the Financial Report of the United States Government” (May 2017)

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

Volume I, Part 6, Chapter 9500: “Revised Federal Financial Management System Requirements for Fiscal Reporting” (June 2017)

This chapter notifies agencies of the revised Federal Financial Management System Requirements. For agencies subject to the Chief Financial Officers Act of 1990, this chapter provides guidance for using these requirements when determining compliance with the Federal Financial Management Improvement Act of 1996.

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

Treasury Bulletin No. 2017-01, *U.S. Standard General Ledger (USSGL) - A Treasury Financial Manual Supplement* (December 2016)⁴

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

Treasury Bulletin No. 2017-02, *Current Value of Funds Rate* (December 2016)

This bulletin notifies agencies of the Current Value of Funds Rate. The Secretary of the Treasury is responsible for computing and publishing the rate used for federal debt collection, cash discounts, and rebate evaluation. The Current Value of Funds Rate is a percentage based on the current value of funds to Treasury.

⁴See footnote 1.

Treasury Bulletin No. 2017-03, *Government Invoicing (G-Invoicing) Initiative and Implementation* (December 2016)⁵

This bulletin provides information to federal agencies about developments in the Government Invoicing (G-Invoicing) Initiative and Implementation. G-Invoicing offers an online portal to support the exchange of information by federal trading partners in intragovernmental transactions. G-Invoicing will serve as an agreement broker (the mechanism by which agencies arrange and negotiate information electronically) and a data exchange platform. It will facilitate the exchange of information between federal trading partners so that agencies will have well-defined lines of communication with one another and an origin for sharing data and exchanging information on their reimbursable activity.

Treasury Bulletin No. 2017-04: *U.S. Standard General Ledger (USSGL) - A Treasury Financial Manual (TFM) Supplement* (March 2017)

This bulletin notifies agencies that part 2 of the USSGL Supplement has been revised for fiscal year 2017.

Treasury Bulletin No. 2017-05: *Publication of Federal Account Symbols and Titles (FAST Book I and FAST Book II)* (April 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.

Treasury Bulletin No. 2017-06: *U.S. Standard General Ledger (USSGL) - A Treasury Financial Manual (TFM) Supplement* (June 2017)

This bulletin revises the USSGL and replaces all previous amendments.

Accounting Standards and Guidance

Federal Accounting Standards Advisory Board (FASAB)

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

Statement of Federal Financial Accounting Standards (SFFAS) No. 51, *Insurance Programs* (January 2017)

This statement establishes accounting and financial reporting standards for insurance programs. It provides standards to ensure that insurance programs are adequately defined and report consistent information about liabilities for losses incurred and claimed as well as expected losses during remaining coverage. These standards replace the insurance and guarantee program standards provided in paragraphs 97 through 121 of SFFAS No. 5, *Accounting for Liabilities of The Federal Government*.

⁵See footnote 1.

This statement also provides guidance as to how and when insurance programs should recognize revenue, expenses, and liabilities. The provisions of this statement need not be applied to immaterial items.

Statement of Federal Financial Accounting Standards (SFFAS) No. 52, *Tax Expenditures* (May 2017)

This statement requires certain information on tax expenditures to assist users of the *Financial Report of the United States Government* in understanding the existence, purpose, and effect of tax expenditures. This statement also encourages presentation of tax expenditure estimates as other information in the consolidated financial report.

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

Technical Release 17: Conforming Amendments to Technical Releases for SFFAS No. 50, *Establishing Open Balances for General Property, Plant, and Equipment*

This technical release provides amendments to previously issued technical releases to acknowledge the rescission of SFFAS No. 35. It clarifies that all standards-level implementation guidance for general property, plant, and equipment (with the exception of certain provisions applicable to internal use software) is now in SFFAS No. 6, as amended.

Financial Accounting Standards Board (FASB)

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

Accounting Standards Update No. 2016-19, *Technical Corrections and Improvements* (December 2016)⁶

Accounting Standards Update No. 2016-20, *Technical Corrections and Improvements to Topic 606, Revenue from Contracts with Customers* (December 2016)⁷

Accounting Standards Update No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business* (January 2017)

Accounting Standards Update No. 2017-02, *Not-for-Profit Entities—Consolidation (Subtopic 958-810): Clarifying When a Not-for-Profit Entity That Is a General Partner or a Limited Partner Should Consolidate a For-Profit Limited Partnership or Similar Entity* (January 2017)

Accounting Standards Update No. 2017-03, *Accounting Changes and Error Corrections (Topic 250) and Investments—Equity Method and Joint Ventures (Topic 323): Amendments to SEC Paragraphs Pursuant to Staff Announcements at the September 22, 2016 and November 17, 2016 EITF Meetings (SEC Update)* (January 2017)

Accounting Standards Update No. 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment* (January 2017)

⁶See footnote 1.

⁷See footnote 1.

Accounting Standards Update No. 2017-05, *Other Income—Gains and Losses from the Derecognition of Nonfinancial Assets (Subtopic 610-20): Clarifying the Scope of Asset Derecognition Guidance and Accounting for Partial Sales of Nonfinancial Assets* (February 2017)

Accounting Standards Update No. 2017-06, *Plan Accounting: Defined Benefit Pension Plans (Topic 960), Defined Contribution Pension Plans (Topic 962), Health and Welfare Benefit Plans (Topic 965): Employee Benefit Plan Master Trust Reporting (a consensus of the Emerging Issues Task Force)* (February 2017)

Accounting Standards Update No. 2017-07, *Compensation—Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost* (March 2017)

Accounting Standards Update No. 2017-08, *Receivables—Nonrefundable Fees and Other Costs (Subtopic 310-20): Premium Amortization on Purchased Callable Debt Securities* (March 2017)

Accounting Standards Update No. 2017-09, *Compensation—Stock Compensation (Topic 718): Scope of Modification Accounting* (May 2017)

Accounting Standards Update No. 2017-10, *Service Concession Arrangements (Topic 853): Determining the Customer of the Operation Services (a consensus of the FASB Emerging Issues Task Force)* (May 2017)

Government Accounting Standards Board (GASB)

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

Statement No. 84, *Fiduciary Activities* (January 2017)

This statement establishes criteria for identifying fiduciary activities of all state and local governments. The criteria generally focus on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. The requirements of this statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged.

Statement No. 85, *Omnibus 2017* (March 2017)

The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement addresses topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The requirements of this statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Statement No. 86, *Certain Debt Extinguishment Issues* (June 2017)

The objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged.

Statement No. 87, *Leases* (June 2017)

The objective of this statement is improve accounting and financial reporting for leases by governments to better meet the information needs of financial statement users. This statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows or outflows of resources based on the payment provisions of a contract, increasing the usefulness of government financial statements. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government leasing activities. The requirements of this statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged.

Risk Management Guidance

Institute of Internal Auditors (IIA)

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

Global Technology Audit Guide (GTAG): Understanding and Auditing Big Data

This guide provides an overview of big data concepts to help internal auditors identify the different components of a big data program, including strategic objectives, success criteria, governance and operational processes, technology, tools, and other resources, and understand how to align internal audit activities in support of an organization's big data initiatives. This guide also includes a framework of key risks, challenges, and examples of controls that should be considered when planning big data audits.

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 have an effective date of January 1, 2017.