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*Government Auditing
Standards and Single
Audit Developments*

STRENGTHENING AUDIT INTEGRITY

SAFEGUARDING FINANCIAL REPORTING

2016/17

*Government Auditing
Standards and Single
Audit Developments*



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ALERT

STRENGTHENING AUDIT INTEGRITY

SAFEGUARDING FINANCIAL REPORTING

2016/17

Government Auditing Standards and Single Audit Developments

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Notice to Readers

This Audit Risk Alert (alert) replaces Government Auditing Standards and *Single Audit Developments—2015/2016*.

This alert is intended to provide auditors who perform audits under *Government Auditing Standards* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, with an overview of recent industry, technical, regulatory, and professional developments that may affect the audits and other engagements they perform. This alert can be used by an entity's internal management to address areas of audit concern.

This publication is an *other auditing publication*, as defined in AU-C section 200, *Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance With Generally Accepted Auditing Standards* (AICPA, *Professional Standards*). Other auditing publications have no authoritative status; however, they may help the auditor understand and apply generally accepted auditing standards.

In applying the auditing guidance included in an other auditing publication, the auditor should, using professional judgment, assess the relevance and appropriateness of such guidance to the circumstances of the audit. The auditing guidance in this document has been reviewed by the AICPA Audit and Attest Standards staff and published by the AICPA and is presumed to be appropriate. This document has not been approved, disapproved, or otherwise acted on by a senior technical committee of the AICPA.

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The AICPA gratefully acknowledges those members of the Auditing Standards Board, the AICPA Technical Issues Committee, and the Governmental Audit Quality Center Executive Committee who helped identify the interest areas for inclusion in this alert.

Feedback

The Audit Risk Alert Government Auditing Standards *and Single Audit Developments* is published annually. As you encounter audit or industry issues that you believe warrant discussion in next year's alert, please feel free to share them with us. Any other comments you have about the alert also would be appreciated. You may email these comments to service@aicpa.org.

TABLE OF CONTENTS

	<i>Paragraph</i>
Government Auditing Standards and Single Audit Developments— 2016/17	.01-.171
How This Alert Helps You	.01-.07
Introduction	.08-.15
Effective Dates	.09-.11
Effective Date for Incremental Funding	.12
COFAR FAQs	.13-.15
General Planning Considerations	.16-.27
Compliance Audit Planning Considerations—Federal Awards	.24-.25
Compliance Audit Planning Considerations—Election Related to Procurement Standards Used	.26-.27
Performing the Uniform Guidance Compliance Audit	.28-.63
Audit Documentation	.29-30
Internal Control Over Compliance Under the Uniform Guidance	.31-.33
Schedule of Expenditures of Federal Awards	.34-.39
Low-Risk Auditee Status	.40-.41
Major Program Determination Under the Uniform Guidance	.42-.52
Sampling Considerations Regarding Testing in the Uniform Guidance Compliance Audit	.53-.54
Reporting Under the Uniform Guidance	.55
Corrective Action Plan	.56-.57
Requirements for Pass-Through Entities	.58-.59
Protected Personally Identifiable Information	.60-.63
Implementing Regulations of Federal Agencies	.64-.72
Department of Health and Human Services	.69
National Science Foundation	.70
What Does This Mean to the Auditee?	.71
What Does This Mean to the Auditor?	.72
Federal Agency Update	.73-80
Housing and Urban Development Update	.73-80
2016 OMB Compliance Supplement	.81-89
Part 6, "Internal Control"	.83-84
Appendix VII, Other Audit Advisories	.85-89
FAC Update	.90-94
Audit Quality Study	.95-105
What Can Auditors Do to Prepare?	.97-103
Enhancing Audit Quality Initiative	.104-105
Audit Deficiencies Found in Single Audits	.106-.116
Summary of Matters Found in Recent Peer Reviews	.107-.116

Government Auditing Standards and Single Audit Developments— 2016/17—continued	
Audit and Attest Developments	117-123
AICPA’s Attest Clarity Project	117-118
AICPA Competency and Learning Website	119-123
AICPA GAQC	124-133
AICPA Single Audit Certificate Programs	134-135
AICPA Not-for-Profit Initiatives	136-142
Not-for-Profit Section138
NFP Certificate Programs	139-142
On the Horizon	143-146
Resource Central	147-171
Publications	148-150
Continuing Professional Education	151-153
Webcasts154
Industry Conferences	155-159
Member Service Center	160-163
The Center for Plain English Accounting164
AICPA Online Professional Library: Accounting and Auditing Literature165
Financial Reporting Center of AICPA.org	166-167
AICPA Industry Expert Panels	168-169
Industry Websites	170-171

How This Alert Helps You

.01 This Audit Risk Alert (alert) helps you plan and perform audits conducted in accordance with *Government Auditing Standards* (also known as the Yellow Book) and Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The alert can also be used by an entity's internal management to address areas of audit concern. This alert provides information to assist you in achieving a more robust understanding of the requirements for performing a single audit, including issues that may be encountered as part of performing the compliance audit under the Uniform Guidance. This alert is an important tool to help you identify the significant risks that may affect the audit, and it delivers information about emerging practice issues and current auditing and regulatory developments as they relate to audits performed under *Government Auditing Standards* and Uniform Guidance requirements. For developing issues that may have a significant impact on single audits in the future, the "On the Horizon" section provides information on these topics.

.02 There are a number of compliance audits being performed under the Uniform Guidance that are in progress or that have already been completed. This alert can be used as a means to help auditors assess whether they are appropriately applying the Uniform Guidance requirements in their compliance audits.

.03 This alert is intended to be used in conjunction with the Audit Risk Alert *General Accounting and Auditing Developments—2016/17*, which explains important issues that affect all entities in all industries in the current economic climate. In addition, you may want to use this alert in conjunction with the Audit Risk Alert *Not-for-Profit Entities Industry Developments—2016*. You should refer to the full text of accounting and auditing pronouncements as well as the full text of any rules or publications that are discussed in this alert.

.04 It is essential that the auditor understand the meaning of audit risk and the interaction of audit risk with the objective of obtaining sufficient appropriate audit evidence. Auditors obtain audit evidence to draw reasonable conclusions on which to base their opinion by performing the following:

- Risk assessment procedures
- Further audit procedures that comprise
 - tests of controls, when required by generally accepted auditing standards (GAAS), *Government Auditing Standards*, regulation (such as the Uniform Guidance), or when the auditor has chosen to do so
 - substantive procedures that include tests of details and substantive analytical procedures

.05 The auditor should develop an audit plan that includes, among other things, the nature and extent of planned risk assessment procedures as determined under AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* (AICPA, *Professional Standards*). AU-C section 315 defines *risk assessment procedures* as "the audit procedures performed to obtain an understanding of the entity and its environment, including the entity's internal control, to identify and assess the risks of

material misstatement, whether due to fraud or error, at the financial statement and relevant assertion levels." As part of obtaining the required understanding of the entity and its environment, paragraph .12 of AU-C section 315 states that the auditor should obtain an understanding of the industry, regulatory, and other external factors, including the applicable financial reporting framework, relevant to the entity. This alert assists the auditor with this aspect of the risk assessment procedures and further expands the auditor's understanding of other important considerations relevant to the audit.

.06 In an audit performed under GAAS and *Government Auditing Standards*, risk assessment procedures should be performed for all aspects of the audit. They are performed as part of the audit of the financial statements and to address the additional reporting required under *Government Auditing Standards*. Furthermore, AU-C section 935, *Compliance Audits* (AICPA, *Professional Standards*), provides guidance and requirements regarding risk assessment in compliance audits. In applying AU-C section 935 to a Uniform Guidance compliance audit, the auditor should perform risk assessment procedures for each of the major programs to obtain a sufficient understanding of the direct and material compliance requirements and the entity's internal control over compliance with those direct and material compliance requirements. This understanding establishes a frame of reference within which the auditor plans the compliance audit and exercises professional judgment about assessing risks of material noncompliance and responding to those risks throughout the compliance audit.

.07 The information in this alert does not include all information that may be important or relevant to a single audit and is not intended to be a complete listing of auditor considerations regarding the requirements when planning and performing a compliance audit under the Uniform Guidance. Instead, this alert highlights some key points or areas of significant change for the auditor to consider.

Introduction

.08 The first audits performed under the audit requirements contained in the Uniform Guidance have been a challenge in a number of ways. One obvious way is that there have been changes to the audit requirements. These changes affect many areas in the process of performing the compliance audit—from the engagement letter language to reporting on the audit. In addition to the revisions to audit requirements, the Uniform Guidance also made changes to federal agency requirements and the administrative requirements and cost principles to which the nonfederal entity (also referred to in this alert as the auditee) and its federal awards are subject. As a result, the auditor needs to be alert throughout the entire audit process in order to appropriately consider and address the many changes.

Effective Dates

.09 The effective dates of the Uniform Guidance continue to be a source of confusion. This is likely the case because there are several different effective dates set forth in the regulation. In particular, it is important to remember that the effective date of the audit requirements is not affected by the effective dates of the other sections of the Uniform Guidance, for example the cost principles to be used for a particular federal award. The reverse is also true. The fact that the

compliance audit is performed under Subpart F, "Audit Requirements," has no effect on the administrative requirements and cost principles that a particular federal award is subject to.

.10 The following summarizes the effective dates found in the Uniform Guidance:

- For fiscal periods beginning on or after December 26, 2014 (basically December 31 year-ends), all single audits are required to be performed under the audit requirements contained in Subpart F of the Uniform Guidance.
- Auditees must comply with the Uniform Guidance administrative requirements and cost principles for federal awards made on or after December 26, 2014, and for certain incremental funding (additional funding to an existing award) made after that date.
- Auditees must comply with the administrative requirements and cost principles found in the pre-Uniform Guidance requirements for federal awards made prior to December 26, 2014, until those funds are completely expended.
- As it relates to subawards, the effective date of the Uniform Guidance administrative requirements and cost principles is the same as the effective date for the federal award from which the subaward is made.

.11 As a result of the effective date provisions, the auditor may be required to perform compliance testing for certain federal awards against various pre-Uniform Guidance criteria (for example, Office of Management and Budget [OMB] Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or Circular A-21, *Cost Principles for Educational Institutions*) and for other federal awards against the criteria contained in the Uniform Guidance, depending on each federal award date. A key takeaway for auditors is to ensure that all staff understand that the effective date of the application of the Uniform Guidance criteria to a federal award is based on the date the federal award was made and the effective date for applying the Uniform Guidance audit requirements is based on the date of the nonfederal entity's fiscal year-end, not the dates of its federal awards.

Effective Date for Incremental Funding

.12 The Council on Financial Assistance Reform (COFAR) "Frequently Asked Questions" (FAQ) document described in the following section includes information regarding incremental funding and the effective date of the Uniform Guidance for a particular award. FAQs .110-7 and .110-13 note that for funding increments issued on or after December 26, 2014, the Uniform Guidance administrative requirements and cost principles are applicable to that federal award when the federal agency considers funding increments to be an opportunity to modify the terms and conditions of the federal award.

COFAR FAQs

.13 COFAR periodically issues a series of questions and answers on the Uniform Guidance. The latest FAQ document available as this alert was developed was issued in September 2015. Auditors can find the latest version of the FAQ document in the "COFAR Resources" section of the COFAR website. The

FAQs cover a broad range of topics, including indirect costs, the de minimis indirect cost rate, procurement, various items of cost, and clarifications on certain audit requirements. The COFAR FAQs contain information for both auditors and nonfederal entities.

.14 Each update of the FAQ document indicates which COFAR FAQs are new or revised so that readers can quickly see what revisions have been made. Discussions of particular topics found in the COFAR FAQs are located in subsequent sections of this alert.

.15 Part 3 of the 2016 Compliance Supplement indicates that "FAQs are meant to provide additional context, background, and clarification of the policies described in 2 CFR 200 and should be considered in the single audit work plan and reviews." Additionally, the supplement notes that any FAQs issued or updated after September 2015 will be available on the COFAR website and should also be considered in the single audit work plans and reviews.

General Planning Considerations

.16 Planning the Uniform Guidance compliance audit will mean considering a number of areas specific to the Uniform Guidance requirements, including the revisions to the audit requirements. The auditee may be under the impression that the time needed for the audit work performed will be reduced under the Uniform Guidance. In the initial years this may not be the case due to the added complexity of implementing the requirements of the Uniform Guidance, including the audit requirements. One example of where additional time may be needed is in determining the testing criteria for the client's federal awards subject to the compliance audit and then testing some awards under pre-Uniform Guidance requirements and other awards under the Uniform Guidance requirements.

.17 As part of planning, an assessment by the auditor of the auditee's approach to implementing the Uniform Guidance is needed. For an auditee that did not adequately address the Uniform Guidance, the auditor will need to assess the effect of the client's lack of preparedness on the compliance audit, including procedures performed. This situation could lead to additional audit findings. Even if the auditee is well prepared regarding implementing the appropriate Uniform Guidance requirements, because of the change in audit requirements, it is very likely more audit effort will be required in the initial years of performing audits under the Uniform Guidance.

.18 Other areas that may need to be considered are

- changes to internal control made by the auditee may mean additional work by the auditor in the initial years;
- testing of awards may increase due to transitional issues associated with older awards versus newer awards;
- testing of awards as major programs may include more type B programs not recently tested, due in part to the removal of the consideration of inherent risk for type A programs;
- the approach to testing type B programs should be considered in planning so that only the required number of type B programs are identified and therefore subject to testing;

- auditing programs not audited previously may result in more audit findings; and
- how the documentation of audit sampling will be revised to reflect that some awards are being tested under the pre-Uniform Guidance requirements and others under the Uniform Guidance.

.19 Auditors should not assume that the audit procedures or compliance tests will be the "same as last year" (sometimes referred to as SALY). Due to the Uniform Guidance, auditors may find they need to change both the audit procedures used and the testing performed.

.20 COFAR FAQ .110-13 notes that nonfederal entities with both old and new awards will not be penalized for making changes to their entity-wide policies (for example, to payroll or procurement systems) to conform such policies to the Uniform Guidance requirements. Practically speaking, these changes would affect their awards that would not yet otherwise be subject to the Uniform Guidance.

.21 In the planning stage of the audit, the extent of training the audit staff has on the Uniform Guidance requirements should also be considered. This may include training on

- Uniform Guidance administrative requirements and cost principles,
- Uniform Guidance audit requirements, and
- revisions made to the Compliance Supplement and how to use it.

Agency Exceptions

Some federal agencies received OMB approval to make exceptions to the Uniform Guidance regulations as part of the agency implementing regulations. It is important to consider agency differences in the planning phase of the audit. This may be challenging, particularly in the first year of implementation, because it continues to be an evolving area. See the section titled "Implementing Regulations of Federal Agencies" for more information.

.22 Auditors should ensure that audit programs and any related software used in the audit, regardless of the source, has been updated to conform to the Uniform Guidance requirements.

.23 In conclusion, planning the Uniform Guidance compliance audit may include areas that have not been a consideration previously. In the initial years of the Uniform Guidance, planning the audit may involve more time and effort due to special considerations regarding the Uniform Guidance. Careful thought should be given to how the Uniform Guidance revisions will affect a particular client.

Compliance Audit Planning Considerations—Federal Awards

.24 Very early in the planning process, auditors should consider asking their clients for an inventory of awards and subawards that compose the programs to be audited as major programs. That inventory should include an indication of whether the pre-Uniform Guidance requirements or the Uniform

Guidance requirements apply for each of the awards listed. As noted previously, the determination of whether pre-Uniform Guidance or Uniform Guidance requirements apply will depend on the date of each award and whether or not there was incremental funding subject to the Uniform Guidance. Additionally, for subawards the determination will depend on the date of the federal award from which the subaward is made. Auditors should perform audit procedures to test the auditee's classification of the awards and subawards prior to beginning compliance and internal control over compliance testing. Federal awarding documents and subawards will be important tools for nonfederal entities to use when determining which compliance criteria are applicable to each award or subaward. These documents may also be useful tools for auditors when determining whether the criteria used by a nonfederal entity are appropriate.

.25 Nonfederal entities that have questions regarding the applicable criteria for federal awards may consult with agency single audit coordinators or program officials. Contact information for these agency representatives can be found in Appendix III, "Federal Agency Single Audit, Key Management Liaison, and Program Contacts," of the 2016 Compliance Supplement.

Compliance Audit Planning Considerations—Election Related to Procurement Standards Used

.26 Another planning consideration relates to those nonfederal entities that elected to continue to comply with pre-Uniform Guidance procurement standards for two fiscal years after the effective date of the Uniform Guidance. This election allows a nonfederal entity to delay implementation of the Uniform Guidance procurement standards found in 2 CFR 200.317–.326 for two full fiscal years, beginning with the nonfederal entity's fiscal year that begins on or after December 26, 2014. As part of this election, a nonfederal entity is required to document whether the entity is in compliance with the pre-Uniform Guidance procurement standards or the Uniform Guidance procurement standards. As part of planning, the auditor should determine whether the nonfederal entity elected to continue to comply with pre-Uniform Guidance procurement standards and whether that election was properly documented. Understanding whether a nonfederal entity has elected to delay implementation of the Uniform Guidance procurement standards is an important auditor consideration because it may impact the compliance testing performed in a Uniform Guidance compliance audit.

.27 Also, for those nonfederal entities that have previously elected to continue to apply the pre-Uniform Guidance procurement standards, as a client service, auditors may consider discussing with the nonfederal entity when the Uniform Guidance procurement standards must be implemented. For example, for an entity with a June 30 year-end, the entity will be required to implement the Uniform Guidance procurement standards for the period beginning July 1, 2017.

Performing the Uniform Guidance Compliance Audit

.28 This section of the alert discusses a variety of audit areas an auditor may encounter when performing compliance audits under the Uniform Guidance. The information is presented with the assumption that the reader is

knowledgeable about the requirements of the Uniform Guidance. For comprehensive coverage of performing an audit under the Uniform Guidance, see the 2016 version of the AICPA Audit Guide *Government Auditing Standards and Single Audits*.

Audit Documentation

.29 Consideration should be given to documentation approaches used in past audits and what changes may be needed in the audits being performed under the Uniform Guidance. Some things to consider are the following:

- Have updates been made to third-party audit programs or practice aids used?
- Has audit software used been properly updated for the Uniform Guidance, including consideration of items of a transitional nature?
- How will testing be documented when testing is performed using two sets of guidance?
- Has full consideration been given to effective dates and the requirements subject to testing, and does the audit documentation reflect that?

.30 Be very careful using information from prior year audit documentation. Many things have changed!

Internal Control Over Compliance Under the Uniform Guidance

.31 A nonfederal entity's responsibility for internal control is contained in Subpart D of the Uniform Guidance. As stated in 2 CFR 200.303, nonfederal entities must establish and maintain effective internal control over the federal award that provides reasonable assurance that the nonfederal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Furthermore, the Uniform Guidance states that these internal controls should be in compliance with guidance in the Government Accountability Office's *Standards for Internal Control in the Federal Government* (Green Book) or the 2013 *Internal Control—Integrated Framework* (COSO integrated framework), issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Because the word *should* does not indicate a presumptively mandatory requirement when used in the Uniform Guidance, the use of the Green Book or the COSO integrated framework is considered best practice or a recommended approach for establishing and maintaining internal control.

.32 COFAR FAQ .303-3 notes that although nonfederal entities must have effective internal control, there is no expectation or requirement that the nonfederal entity document or evaluate internal controls prescriptively in accordance with the Green Book or the COSO integrated framework, or that the nonfederal entity or auditor reconcile technical differences between them. Nonfederal entities and their auditors will need to exercise judgment in determining the most appropriate and cost-effective internal control in a given environment or circumstance to provide reasonable assurance for compliance with federal program requirements.

Watch for and Consider Changes in Internal Control Over Compliance

Under the Uniform Guidance there is more emphasis on internal control. As a result, auditees may have changed or updated their internal control over compliance more than in a typical year. Auditors should watch for and consider such changes when gaining an understanding of internal control over compliance, assessing risk, and testing controls. Furthermore, when controls have changed, the results of internal control testing in prior years may not be relevant when planning the testing of internal control in the current year.

.33 Part 6 of the Compliance Supplement is the mechanism the OMB has historically used to provide more detailed internal control guidance to nonfederal entities and their auditors. Note that content regarding the objectives, components, and principles of internal control can be found in the 2016 supplement. See the section of this alert titled "2016 OMB Compliance Supplement" for more information.

Schedule of Expenditures of Federal Awards

.34 The Uniform Guidance revised the requirements related to the schedule of expenditures of federal awards (SEFA), both in terms of what must be on the face of the SEFA and the additional information required to be in the notes to the schedule. The Uniform Guidance requires the following to be presented on the face of the SEFA:

- Individual federal programs by federal agency. For a cluster of programs, provide the cluster name, list individual federal programs within the cluster of programs, and provide the applicable federal agency name. For research and development (R&D), total federal awards expended must be shown either by individual federal award or by federal agency and major subdivision within the federal agency.
- For federal awards received as a subrecipient, the name of the pass-through entity and the identifying number assigned by the pass-through entity.
- Total federal awards expended (as determined in accordance with 2 CFR 200.502, which includes noncash awards) for each individual federal program and the Catalog of Federal Domestic Assistance (CFDA) number or other identifying number when the CFDA information is not available. For a cluster of programs, also provide the total for the cluster.
- Total amount provided to subrecipients from each federal program.
- Total amount of federal awards expended for loan or loan guarantee programs.

.35 Note that when determining the amount of federal awards expended for the year for loans and loan guarantees, the amount expended is the value of new loans made or received during the audit period plus beginning of the audit period balance of loans from previous years for which the federal government imposes continuing compliance requirements plus any interest subsidy, cash, or administrative cost allowance received.

Emphasis Point

Under the Uniform Guidance, the total amount of federal expenditures on the SEFA will typically be the same as the total used to calculate the type A threshold, the amount used for determining major programs, and the amount reported on the data collection form. With this change, it is expected that federal agencies may use information in the Federal Audit Clearinghouse (FAC) database to easily identify audits with likely errors in the calculation of the type A threshold for determining major programs or meeting the percentage of coverage rule.

.36 Under the Uniform Guidance, the notes to the SEFA must include the significant accounting policies used in preparing the schedule and whether or not the auditee elected to use the 10 percent de minimis indirect cost rate. Although the notes to the SEFA must state whether or not the auditee elected to use the 10 percent de minimis indirect cost rate, no further information is required regarding indirect cost rates used, regardless of whether the auditee has a negotiated rate. In addition, for those loan and loan guarantees with continuing compliance requirements, the balances outstanding at the end of the audit period are required to be included in the notes to the SEFA.

.37 Note that the Uniform Guidance includes a requirement that federal agencies and pass-through entities include specific information in federal awards made to each recipient or subrecipient, including information such as the CFDA number and name, identification of whether the award is R&D, and the indirect cost rate for the federal award. This required federal award information should assist nonfederal entities in preparing the SEFA as it relates to the identification and source of federal awards.

.38 Depending on a nonfederal entity's federal awards, the SEFA may contain federal awards subject to the Uniform Guidance administrative requirements and cost principles, as well as other federal awards that continue to be subject to the pre-Uniform Guidance requirements. When this occurs, the notes to the SEFA related to significant accounting policies may be revised to reflect that expenditures subject to the pre-Uniform Guidance requirements are recognized following the guidance contained in those requirements.

.39 At the date of this alert, the Governmental Audit Quality Center (GAQC) was nearing completion of two newly revised SEFA practice aids. These practice aids, one for the auditor and one for the auditee, will be made available on the GAQC website. The practice aids, which include a disclosure checklist related to the SEFA, may assist the auditor in reviewing the auditee's SEFA.

Emphasis Point

Remember that the testing of the SEFA is performed for two purposes. First, the Uniform Guidance requires the auditor to determine whether the auditee's SEFA is fairly stated, in all material respects, in relation to the auditee's financial statements as a whole. Second, the SEFA serves as the primary basis for the auditor's major program determination. Therefore, appropriate major program determination by the auditor is dependent on the accuracy and completeness of the information in the SEFA.

Low-Risk Auditee Status

.40 The Uniform Guidance revised the criteria required in order for an auditee to be considered a low-risk auditee. One criterion is that in each of the two preceding audit periods the auditee must have had unmodified opinions on financial statements prepared in accordance with generally accepted accounting principles (GAAP) or a basis of accounting required by state law. Therefore, unless required by state law, an auditee that prepares its financial statements on a non-GAAP basis of accounting, such as the cash or modified cash basis, cannot be considered a low-risk auditee.

Emphasis Point

If the auditee voluntarily prepares its financial statements on a non-GAAP basis of accounting, such as the cash basis or modified cash basis, the auditee will not meet the requirements for low-risk auditee status. However, when the financial statements are prepared on a GAAP basis of accounting, preparing the SEFA on a non-GAAP basis of accounting, such as the cash basis, will not cause the auditee to be an other than low-risk auditee assuming the remaining criteria are met.

.41 The Uniform Guidance introduces several other changes from the requirements in OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. First, the low-risk auditee criteria as found in the Uniform Guidance explicitly states that the data collection form and the reporting package must have been submitted to the FAC within the time frame specified in 2 CFR 200.512 in each of the two preceding periods for the entity to qualify as a low-risk auditee. Also, the low-risk auditee criterion states that if the auditor reported a substantial doubt about the auditee's ability to continue as a going concern for either of the two prior periods, the auditee is precluded from being a low-risk auditee. The provision in Circular A-133 that allowed a nonfederal entity with biennial audits to qualify as a low-risk auditee if agreed to in advance by the cognizant or oversight agency for audit was removed. Under the Uniform Guidance, a nonfederal entity that has biennial audits does not qualify as a low-risk auditee. Finally, the provision in Circular A-133 that allowed a cognizant or oversight agency for audit to provide a waiver in certain situations was removed.

Major Program Determination Under the Uniform Guidance

.42 Under the Uniform Guidance, major program determination continues to be a four-step risk-based approach:

1. Identify type A programs
2. Identify low-risk type A programs
3. Identify high-risk type B programs
4. Determine major programs to audit

.43 Although the process to determine major programs looks very similar to prior guidance, there are some significant changes to the process that the auditor should consider. The following content does not provide complete information regarding the four-step process of determining major programs. Instead it includes items of note regarding the individual steps used in identifying

major programs. See 2 CFR 200.518 to gain a complete understanding of the major program determination requirements under the Uniform Guidance.

Step 1—Identify Type A Programs

.44 The threshold used to determine type A programs is still based on a sliding scale as it was in Circular A-133, but the minimum threshold has been raised from \$300,000 to \$750,000.

.45 *Loan programs.* The Uniform Guidance contains revisions related to the consideration of large loan and loan guarantee programs. Under the Uniform Guidance, a federal program (or cluster) is only considered a "loan program" if the value of federal awards expended within the program is 50 percent or more of federal awards expended for that program. A loan program that exceeds four times the largest non-loan program is considered a large loan program. Large loan programs are excluded in determining the type A threshold.

Step 2—Identify Low-Risk Type A Programs

.46 As a result of the Uniform Guidance revisions, the determination of low-risk type A programs is less dependent on auditor judgment than was the case under Circular A-133. This is mainly because the Uniform Guidance does not permit the auditor to consider inherent risk of a type A program when determining which type A programs are low risk.

Emphasis Point

When determining major programs under the Uniform Guidance, an entity with strong internal controls and few audit findings will likely have more low-risk type A programs.

Step 3—Identify High-Risk Type B Programs

.47 Under the Uniform Guidance, there is no longer an option one and option two for identifying high-risk type B programs, as had been the case under Circular A-133. The number of high-risk type B programs to be identified is determined up front based on the number of low-risk type A programs identified. If there are no type A programs, or if no low-risk type A programs are identified, the auditor is not required to perform a risk assessment of type B programs. This occurrence would result in the auditor moving directly to step 4 in the major program determination process.

How Many High-Risk Type B Programs Must Be Identified?

Consider an auditee that has 5 low-risk type A programs. One-fourth of 5 is 1.25; therefore, *at least* 2 high-risk type B programs are required to be identified. The auditor is not permitted to round down when determining the number of high-risk type B programs required to be identified.

.48 As noted in 2 CFR 200.518, except for known material weaknesses in internal control, prior audit findings, and oversight exercised by federal agencies and pass-through entities, a single criterion of risk would seldom cause a type B program to be considered high risk. Note that the existence of one of these criteria does not automatically indicate the type B program is high risk.

The auditor is encouraged to use an approach that provides an opportunity for different high-risk type B programs to be audited as major over a period of time.

.49 The auditor is not expected to perform risk assessments on relatively small federal programs. Under the Uniform Guidance, the auditor is only required to perform risk assessments on type B programs that exceed 25 percent of the type A threshold as determined in step 1. For example, if the type A threshold for a nonfederal entity is \$1 million, the threshold for small programs is \$250,000.

.50 Under the Uniform Guidance, once the required number of high-risk type B programs is identified, no further risk assessment of type B programs is required. The auditor would then move to step 4 in the major program determination process.

Emphasis Point

All high-risk type B programs *identified* are required to be audited as major programs. If more than the required number of high-risk type B programs are identified by the auditor, those additional type B programs must be tested. Therefore, be sure to plan the risk assessment of type B programs carefully so that only the required number of high-risk type B programs are identified.

Step 4—Determine Major Programs to Audit

.51 After completing steps 1–3, the auditor must audit the following as major programs:

- All type A programs not identified as low risk under step 2
- All type B programs identified as high risk under step 3
- Additional programs as necessary to comply with the percentage of coverage requirement (20 percent for low-risk auditees, 40 percent for auditees that are not low risk)

.52 Due to the increase in the type A threshold under the Uniform Guidance, it is possible that a smaller entity has no type A programs. In this situation, there would be no step 2 risk assessment of type A programs. The auditor then moves on to step 3, which states that the auditor is not required to identify more high-risk type B programs than at least one-fourth the number of low-risk type A programs. Since there are no type A programs, this number would be zero. Consequently, in step 4 the auditor would just select programs as necessary to comply with the percentage of coverage rule.

Sampling Considerations Regarding Testing in the Uniform Guidance Compliance Audit

.53 As mentioned previously, one of the situations that auditors may face is that a nonfederal entity may have some major program expenditures subject to testing under the pre-Uniform Guidance requirements and others subject to the Uniform Guidance. Questions have arisen about how this situation affects compliance tests that involve sampling.

.54 For example, assume that as part of testing compliance with the Allowable Costs/Cost Principles type of compliance requirement for a major program, the auditor determines that a sample size of 60 expenditure transactions is

needed. After selecting the sample items, the auditor will then need to identify the date of the federal award related to each expenditure transaction in order to determine the applicable criteria to use for compliance testing purposes. In this example, assume some of the transactions in the sample relate to awards that are subject to the pre-Uniform Guidance requirements, whereas others relate to awards subject to the Uniform Guidance requirements. Although a separate sample would not typically be needed in this situation, the criteria that auditors use to determine compliance will be different for the various transactions, and the auditor would use both Parts 3.1 and 3.2 of the Compliance Supplement to perform testing. The audit documentation for testing compliance should include an identification of the transactions tested that were subject to Uniform Guidance requirements. See the Audit Guide Government Auditing Standards and Single Audits for additional information on audit sampling in a compliance audit.

Reporting Under the Uniform Guidance

.55 The basic approach to reporting under the Uniform Guidance is the same as that under Circular A-133. The main revisions to the report wording are based on terminology used in the Uniform Guidance. See the 2016 Audit Guide Government Auditing Standards and Single Audits for report wording that has been updated for the Uniform Guidance.

Emphasis Point

In a single audit performed under the Uniform Guidance, the auditor may be required to test federal award transactions using both Parts 3.1 and 3.2 of the Compliance Supplement. There is no need to change the wording of the auditor's report on compliance and internal control over compliance related to major programs when this occurs. This is because the report references the testing of types of compliance requirements described in the Compliance Supplement. This broad reference to the Compliance Supplement covers testing under both Parts 3.1 and 3.2.

Corrective Action Plan

.56 The Uniform Guidance clearly states that the auditee must prepare the corrective action plan, and it must be a separate document from management's response in the schedule of findings and questioned costs. The auditee is also required to prepare a separate summary schedule of prior audit findings. It is recommended that both the corrective action plan and the summary schedule of prior audit findings be placed on the auditee's letterhead to distinguish them from auditor-prepared documents.

.57 Note that the Uniform Guidance states that the corrective action plan and the summary schedule of prior audit findings must include the findings relating to the financial statements that are required to be reported under *Government Auditing Standards*.

Requirements for Pass-Through Entities

.58 One topic that is significantly more prominent in the Uniform Guidance is pass-through entity responsibilities. Requirements for pass-through entities related to a number of areas throughout the life cycle of a subaward are set forth in 2 CFR 200.331. Pass-through entity responsibilities have increased

under the Uniform Guidance with regard to information required to be included in subawards. In addition, pass-through entities must evaluate each subrecipient's risk of noncompliance for purposes of determining the appropriate subrecipient monitoring.

.59 Auditors performing single audits on pass-through entities should pay close attention to the guidance and requirements found in the Uniform Guidance and use the guidance and suggested audit procedures provided in part 3.2 of the Compliance Supplement for testing purposes. Some pass-through entities may not have been prepared for these revised requirements, and auditors of pass-through entities may find they need to report a finding when noncompliance is encountered. Note that lack of pass-through entity preparedness may cause issues at the subrecipient level, for example, when pass-through awards do not contain the required information.

Protected Personally Identifiable Information

.60 Under the Uniform Guidance, auditees and auditors must ensure that their respective parts of the reporting package do not include protected personally identifiable information (protected PII). Additionally, as part of the submission of the data collection form, the auditee must provide certifications regarding protected PII. (See the section "FAC Update" later in this alert for additional information.)

.61 The definition of *protected PII* includes an individual's first name or first initial and last name in combination with any one or more types of information including, but not limited to, the following:

- Social Security number
- Passport number
- Credit card numbers
- Clearances
- Bank numbers
- Biometrics
- Date and place of birth
- Mother's maiden name
- Criminal, medical, and financial records
- Educational transcripts

.62 This does not include PII required by law to be disclosed. PII is information that can be used to distinguish or trace an individual's identity, either alone or when combined with other personal or identifying information that is linked or linkable to a specific individual. Some of the information is available in public sources, such as telephone books and public websites. This type of information is considered to be public PII. Types of information that are considered public PII are first and last name, address, work and home telephone numbers, email addresses, and general educational credentials.

.63 Auditors should carefully review audit findings and any other information prepared by the auditor that is part of the reporting package to ensure that no protected PII is inadvertently included.

Implementing Regulations of Federal Agencies

.64 The Uniform Guidance requires each federal agency to adopt the Uniform Guidance into its own regulatory structure. The OMB has provided the location of each federal agency's codification of its implementing regulations in Appendix II, "Federal Agency Codification of Governmentwide Requirements and Guidance for Grants and Cooperative Agreements," of the 2016 Compliance Supplement. This appendix also contains the date of each agency's final rule publication.

.65 As part of this adoption process, some federal agencies received OMB approval to make exceptions to certain requirements in the Uniform Guidance for their own federal awards (for example, an agency might disallow a particular type of cost that would otherwise be permitted under the Uniform Guidance cost principles).

.66 Identifying these agency exceptions through a review of each agency's Uniform Guidance adoption regulation is a cumbersome process. However, there are some resources available to assist the auditor. Appendix VII, "Other Audit Advisories," of the 2016 Compliance Supplement lists the title and section of agency rules that include exceptions and provides a link to a similar document found on the COFAR website. It is important to note that the COFAR document, titled "Uniform Guidance Crosswalk for Federal Agency Exceptions and Additions," provides links to the applicable language in the agency rule. Auditors should determine whether there are any agency exceptions that would affect the Uniform Guidance compliance audit for a particular major program and then look to the specific agency regulation for more detail if needed. Note that the list of agency exceptions in both the Compliance Supplement and on the COFAR website may not be up to date and care is needed in determining applicable agency exceptions.

.67 Each individual agency's implementing regulations are codified in the *Code of Federal Regulations* at 2 CFR 300–5999. To obtain more detailed and up-to-date information regarding agency regulations, the auditor should refer to an individual agency's codified regulations, which can be found in the *Code of Federal Regulations*. The GAQC has posted a tool on its website titled "Status of Final Agency Adoption," which provides a link to each agency's regulations and may be useful to auditors. This tool will be updated throughout the year as information changes.

.68 Another way to access an agency's implementing regulations is via a link to each federal agency's adoption of the Uniform Guidance as found in the electronic *Code of Federal Regulations* (e-CFR) under Title 2, *Grants and Agreements*. Nonfederal entities and auditors that have questions about the nature of agency exceptions, the timing of agency adoption regulations, and the effect of agency exceptions on the audit may consult with agency single audit coordinators or program officials using the contact information in Appendix III of the Compliance Supplement.

Department of Health and Human Services

.69 The Department of Health and Human Services (HHS) implementation of the Uniform Guidance in 2 CFR 300 states that the codified text of the HHS Uniform Guidance regulations are located at 45 CFR 75. Therefore, any references to HHS regulations (for example, cost principles, administrative

requirements) by auditors (for example, in findings) will need to be made to the appropriate section in 45 CFR 75 and not 2 CFR 300.

National Science Foundation

.70 The National Science Foundation (NSF) received approval for its implementation of the Uniform Guidance via the use of a policy rather than a regulation. Therefore, the NSF implementation of the Uniform Guidance in 2 CFR 2500 provides a link to the location of its policies on the NSF website. As with references to HHS regulations, auditors will need to reference the appropriate source of NSF requirements.

What Does This Mean to the Auditee?

.71 The auditee needs to determine federal agency differences for their awards early on to establish how those differences will affect compliance with award terms and conditions.

What Does This Mean to the Auditor?

.72 For awards being tested as major programs, the auditor should determine whether any agency differences will affect audit procedures. The Compliance Supplement may be of some assistance regarding this. However, the information in the Compliance Supplement may not be based on final rulemaking. Auditors should watch for future changes made to agency guidance.

Federal Agency Update

Housing and Urban Development Update

.73 The Department of Housing and Urban Development (HUD) issued notice CPS 16-04, "Additional Transition and Implementation Guidance for Recipients of Community Planning and Development (CPD) Funds for 2 CFR 200, Uniform Guidance Requirements, Cost Principles, and Administrative Requirements for Federal Awards," in April 2016 to provide additional information regarding the implementation of the Uniform Guidance to certain major HUD programs. The programs affected by this notice are the following:

- Community Development Block Grant (CDBG) program
- CDBG Disaster Recovery (CDBG-DR) grants
- HOME Investment Partnerships (HOME) program
- Housing Trust Fund (HTF) program
- Housing Opportunities for Persons With AIDS (HOPWA) program
- Emergency Solutions Grants (ESG) program
- Continuum of Care (CoC) program
- CPD programs awarded by Notice of Funding Availability (NOFA)

.74 The notice discusses each of the listed programs and explains when the Uniform Guidance became applicable to nonfederal entities, as well as other nuances of Uniform Guidance implementation including subawards, procurement, program income, and indirect costs. One item of interest in the notice is information that may affect the compliance criteria used by the auditor when testing one of the programs in the preceding list.

.75 To provide an example of how the notice may affect single audit compliance testing, the following paragraphs discuss the aspects of the notice for the CDBG, CDBG-DR, ESG, and HOME programs.

CDBG, CDBG-DR, ESG, and HOME Programs

.76 The HUD notice states that there has been confusion about the timing of Uniform Guidance applicability for the CDBG, CDBG-DR, ESG, and HOME programs because the grant agreements for these programs contain language requiring compliance with the program regulations "as now in effect and as may be amended from time to time," or similar language. To clarify the implications of this language, the notice states that HUD's intent was that existing grant agreements for the CDBG, CDBG-DR, ESG, and HOME programs would automatically become subject to the Uniform Guidance requirements as of the December 26, 2014, Uniform Guidance effective date. So, for example, if HUD had entered into a CDBG grant agreement with a nonfederal entity in early 2014 that included the "program regulations as amended" language, HUD's expectation was that the nonfederal entity would have complied with the Uniform Guidance administrative requirements and cost principles for funds expended from that award on or after December 26, 2014.

.77 Unlike the effective date provisions for recipients in the Uniform Guidance that hinge on the date of a federal award or incremental funding, the HUD notice explains that for certain HUD programs, expenditures made on or after December 26, 2014, from existing HUD awards were also expected to comply with the Uniform Guidance administrative requirements and cost principles. HUD notes that for expenditures made for the period between December 26, 2014, and January 6, 2016, HUD will not make findings of noncompliance if a grantee used CDBG, CDBG-DR, ESG, or HOME funds in accordance with comparable requirements under the HUD regulations in 24 CFR 84 or 85 (2013 edition), that is, the pre-Uniform Guidance requirements. However, this aspect of the notice does not affect the auditor's responsibilities for reporting audit findings under the requirements of the Uniform Guidance.

.78 The notice also covers what HUD recipients participating in the CDBG, CDBG-DR, ESG, and HOME programs must include in any subawards made and the related timing. Situations in which a recipient must amend an existing subrecipient or comparable agreement are also discussed. Auditors of HUD recipients that make subawards should pay close attention to this section of the notice when performing subrecipient monitoring testing that relates to determining what subawards must contain.

.79 Auditors performing single audits that include HUD major programs should read the notice carefully to ensure that the appropriate criteria are being used to test compliance for each of the previously listed programs.

.80 The notice indicates that HUD grant recipients should contact their field office or HUD headquarters representatives for more information. Recipients and auditors with questions about the notice may also contact the HUD representatives identified in Appendix III of the Compliance Supplement.

2016 OMB Compliance Supplement

.81 The OMB issued the 2016 Compliance Supplement in early August 2016. The 2016 Compliance Supplement is effective for audits of fiscal periods beginning after June 30, 2015. Appendix V, "List of Changes for the 2016

Compliance Supplement," identifies all changes at a high level. Some of the changes in the final Compliance Supplement are shown here. Certain changes that are discussed in other sections of this alert are not included in this list. It is important to review the Compliance Supplement in its entirety to get a full understanding of its content. Revisions and updates to the 2016 Compliance Supplement include the following:

- References to Circular A-133 that were shown as dual references to Circular A-133 and the Uniform Guidance were removed.
- The use of "must" and "should" was revised, as needed, to be consistent with the Uniform Guidance.
- The applicable row from Part 2, "Matrix of Compliance Requirements," was added to each program or cluster supplement in Part 4, "Agency Program Requirements," and Part 5, "Clusters of Programs," to help the auditor understand and use the various parts of the Compliance Supplement together.
- Part 3 of the Compliance Supplement clarifies that any COFAR FAQs issued or updated after September 2015 should be considered in the single audit work plan.
- Programs were added, deleted, or modified.
- Information regarding internal control was added to Part 6, "Internal Control," of the Compliance Supplement.
- Appendix II of the Compliance Supplement was updated to include the dates of the agencies' issuance of final rules or regulatory actions.
- Appendix III was updated to include agency management liaison contacts.
- Updates were made to Appendix VII.

.82 The 2016 Compliance Supplement continues to include two sections of Part 3 to address the testing of compliance for major programs under both pre-Uniform Guidance and Uniform Guidance requirements:

- Part 3.1 applies to federal awards made prior to December 26, 2014, (those awards not subject to the Uniform Guidance) and is based on pre-Uniform Guidance requirements.
- Part 3.2 applies to federal awards subject to the Uniform Guidance (that is, new federal awards made on or after December 26, 2014, and funding increments subject to the Uniform Guidance made on or after that date) and is based on Uniform Guidance administrative requirements and cost principles.

Does the Auditor Use Part 3.1 or 3.2 When Testing Major Programs?

Consider an auditor testing a major program in which the nonfederal entity has expenditures from federal awards subject to the pre-Uniform Guidance requirements as well as federal awards subject to the Uniform Guidance requirements. In this situation, the auditor will use both Parts 3.1 and 3.2 in performing compliance testing. Part 3.1 will be used by the auditor to test those awards made prior to December 26, 2014, and Part 3.2 will be used by the auditor to test those awards made on or after December 26, 2014, and funding increments subject to the Uniform Guidance requirements made on

or after that date. Remember that the use of the Uniform Guidance audit requirements is based on the entity's fiscal year-end and not federal award dates.

Part 6, "Internal Control"

.83 Part 6 has been added back to the Compliance Supplement. (It was removed in the 2015 edition because it was out of date.) Although the new Part 6 contains information regarding internal control, the information included is less extensive than that found in years prior to 2015. Part 6 addresses the objectives, principles, and components of internal control based on the COSO integrated framework and the Green Book. It first discusses the objectives of internal control as found in 2 CFR 200.62 and then goes on to provide a summary of COSO integrated framework and Green Book components and principles of internal control. The supplement notes that because both the COSO integrated framework and the Green Book have the same components of internal control, and similar principles, for simplicity, the remainder of the Part 6 discussion related to the characteristics of internal control is based on the Green Book.

.84 The information on internal control in the 2016 Compliance Supplement is also more general in nature than in years prior to 2015. Although this information may assist the auditor in planning and performing the Uniform Guidance compliance audit, Part 6 indicates that it is not a checklist of required internal control characteristics. Part 6 also indicates that nonfederal entities will need to exercise judgment in determining the most appropriate and cost-effective internal control in a given environment or circumstance to provide reasonable assurance for compliance with federal program requirements.

Appendix VII, Other Audit Advisories

.85 Appendix VII of the Compliance Supplement contains important information that may be relevant to single audits. Particular items of note are discussed here.

.86 The discussion regarding the due date for audit reports and low-risk additree criteria was revised to address the extensions provided due to the shutdown of the FAC in 2015. In addition, the information regarding loan safe harbor guidance was removed. This content was no longer necessary because this information is now a requirement in the Uniform Guidance.

.87 The OMB added new guidance in Appendix VII, "The Effect of Implementation of Uniform Guidance on Major Program Determination," which addresses a transition issue that may occur for some nonfederal entities in the third year after implementing the Uniform Guidance. Due to the change in risk assessment criteria for type A programs under the Uniform Guidance, there may be an increase in the number of low-risk type A programs in the first and second years of implementing the Uniform Guidance audit requirements for some additees. If that is the case, the number of major programs that will need to be tested by the auditor may significantly increase in the third year (due to the two-year look-back rule). To avoid this spike in major programs, the guidance indicates that auditors may consider auditing some low-risk type A programs as *additional* major programs in the first and second years of implementation.

.88 There are several caveats that should be carefully considered by auditors when considering whether to use this provision:

- Any low-risk type A program selected by the auditor for early major program treatment would be "in addition" to major programs required to be tested using the normal four-step approach.
- An "additional" low-risk type A program would not be permitted to be audited more than once in the first three years of implementing the Uniform Guidance's audit requirements.
- There would be no change to the application of any steps in the major program determination process.

.89 This new guidance is optional and is not required to be applied in a single audit. The determination of whether this guidance should be used by the auditor is based on the facts and circumstances of the audit. See Appendix VII of the 2016 Compliance Supplement for more information.

FAC Update

.90 Under the Uniform Guidance, the FAC continues to be the repository of record for single audits. On July 15, 2016, the FAC issued an updated data collection form and related instructions. The 2016 data collection form is required to be used for audits of fiscal periods beginning on or after December 26, 2014, that is, those audits performed under the audit requirements of the Uniform Guidance. Note that submissions of audits performed under OMB Circular A-133 will still be made using the previous version of the form.

.91 Along with general revisions made, revisions were made for Uniform Guidance requirements in the 2016 data collection form. Some of the key changes made to the form are the following:

- More auto generated fields, such as name of the program upon entry of CFDA number and federal program and cluster totals
- More edit checks, for example, only three digit CFDA number extensions will be accepted
- A new field will be used to identify whether an award is part of a cluster of programs and, if so, the name of the cluster
- Revisions specifically based on Uniform Guidance requirements added fields for
 - pass-through entity name and identifying number,
 - indicating whether federal awards were passed through to subrecipients and, if so, the amount passed through,
 - identifying findings that are repeat findings and finding reference numbers for the prior year,
 - end of audit period loan balances, and
 - indicating when the auditee uses a special-purpose framework.

.92 In addition, the auditor and auditee statements have been updated. The auditee certification was expanded to address the Uniform Guidance requirements and to provide a separate certification statement for Indian tribes or tribal organizations. The auditor statement was also updated.

.93 Because the 2016 data collection form was not issued until July 15, 2016, the FAC issued an extension for data collection form submissions until September 19, 2016. This extension applies only to the data collection form submission and does not affect the Uniform Guidance requirements for completing the audit. In addition, this extension is only applicable to filings of the 2016 data collection form, that is, those audits performed under the Uniform Guidance.

.94 The Uniform Guidance requires that reporting packages be made publicly available by the FAC on a website, except for the reporting package of any Indian tribe or tribal organization that opts to not authorize public availability through the FAC. The FAC's Image Management System (IMS) is the repository of single audit reports. The FAC has indicated that once a submission is accepted for an audit performed under the Uniform Guidance audit requirements, the reporting package will be made public at the time of the FAC's acceptance of the audit. This information will include the PDF upload of the reporting package including auditor reports, auditee financial statements, and the schedule of findings and questioned costs. Note that under the Uniform Guidance a subrecipient is not required to submit a reporting package to a pass-through entity because reporting packages will now be publicly available. However, an Indian tribe or tribal organization that has opted not to authorize the FAC to make its reporting package publicly available must submit its reporting package to pass-through entities.

Audit Quality Study

.95 The Uniform Guidance requires a study of audit quality be performed once every six years beginning in 2018 and that the results must be made public. This project will be led by a federal agency designated by the OMB, with the cooperation and support of cognizant agencies for audit. The study will determine the quality of single audits by providing a statistically reliable estimate of the extent that single audits conform to applicable requirements, standards, and procedures. This in turn can lead to recommendations to address noted quality issues, including recommendations for any changes to applicable requirements, standards, and procedures.

.96 Further clarification has been made on the timing of the study. CO-FAR FAQ .513-1 states that the single audit quality project will examine single audit engagements performed under the Uniform Guidance that are submitted to the FAC no earlier than 2018. Therefore, the examination of single audit engagements as part of the quality project will likely occur in 2019 or 2020, as determined by the OMB. Auditors should be aware that this study is coming and take all appropriate measures to ensure high-quality single audits.

What Can Auditors Do to Prepare?

.97 Now is the time to prepare for the coming study. Because of the revisions to the guidance related to compliance audits, it is more important than ever to begin to prepare now. One way to do that is to establish an effective system of quality control specific to the firm's governmental practice. An effective quality control system will provide reasonable assurance the firm and its personnel comply with professional standards, regulatory requirements, and that proper reports are issued. Note that the practice aid *Establishing and Maintaining a System of Quality Control for a CPA Firm's Accounting and Auditing Practice* has recently been updated and is available on the AICPA website.

.98 Although documentation and communication of policies and procedures related to the quality control system in smaller firms may be less formal and less extensive than in larger firms, staff should be knowledgeable about the quality control policies regarding the quality control system. The quality control systems should focus on areas that the prior quality study showed to be problematic.

.99 An auditor can also seek out information regarding areas of common deficiencies in single audits, such as lists of audit deficiencies compiled each year by the AICPA Peer Review and Professional Ethics divisions. Additional staff training may be warranted in areas where audit deficiencies are commonly found.

.100 Educate yourself! Look for places where audit quality is discussed. Obtain appropriate CPE each year to help ensure competency. One excellent resource is the *AICPA Competency Framework: Governmental Auditing*, which is designed to help CPAs understand the knowledge and skills necessary to perform high-quality single audits. Additional information regarding the competency framework can be found later in this alert.

.101 As part of preparing for the quality study, you may want to utilize various checklists available to assist in reviewing single audit engagements. Peer review and federal quality checklists are available for this purpose. In addition to providing up-to-date information regarding single audits, the GAQC website has a number of resources regarding audit quality.

.102 Other preparations could include

- a proactive review of your firm's data collection form submissions in the FAC,
- selecting an adequate cross section of governmental audits for engagement quality control review as part of your quality control system, and
- the selection of a peer reviewer that has adequate experience and knowledge in the type of governmental engagements your firm performs.

.103 These reviews of your single audit engagements will assist in finding problem areas in time to make changes and adjustments in order to improve single audit quality.

Enhancing Audit Quality Initiative

.104 The CPA profession is highly regarded for its commitment to excellence and protection of the public. In the face of increased business complexity, we must strive to continue providing quality services. As a result, the AICPA launched the Enhancing Audit Quality Initiative (EAQ) in May 2014, followed by the *6-Point Plan to Improve Audits* in May 2015. EAQ is a holistic effort to consider auditing of private entities through multiple touch points, especially where quality issues have emerged. The goal is to align the objectives of all audit-related AICPA efforts to improve audit performance. For more information, visit the EAQ website at www.aicpa.org/interestareas/peerreview/pages/eaq.aspx.

.105 One risk area that has been identified in the EAQ is single audits. In addition to the ongoing challenges of a single audit, the significant revisions related to performing the compliance audit under the Uniform Guidance will

affect current and future single audit engagements. To assist in enhancing audit quality, single audits have been designated as a peer review area of focus. Furthermore, changes are being made to enhance peer review quality in a number of areas. Among these changes are increased peer reviewer qualifications, annual education requirements specific to governmental auditing topics (including single audits) for team and review captains, and expedited remediation and removal of poor performing reviewers.

Audit Deficiencies Found in Single Audits

.106 Each year, the AICPA Peer Review division and Professional Ethics division compile a list of deficiencies found in their investigations. In a number of cases, these deficiencies are found year after year, indicating a pervasive problem. The following list was derived from deficiencies found and can help auditors determine which areas they need to gain additional knowledge in. Although these deficiencies were noted in reviews of Circular A-133 audits, many will continue to be relevant to audits performed under the Uniform Guidance and, therefore, should remain areas of focus for auditors.

Summary of Matters Found in Recent Peer Reviews

.107 The AICPA Peer Review division assembles a list of matters found during peer reviews that includes issues related to single audits. Some of these issues are noted here.

Yellow Book Issues

.108

- The engagement team did not meet CPE requirements.
- The independence documentation was not adequate.
- Yellow Book peer review requirements were not met.

Documentation Issues

.109

- Type A or B program risk assessment documentation missing or inadequate
- No documentation of fraud risk regarding noncompliance for major programs
- Failure to perform or document analytical procedures in the planning or final stages of the audit
- Failure to utilize or customize an audit program

Major Programs

.110

- Failure to accurately identify or test all major programs
 - Failure to combine the same CFDA numbers as one program for major program determination and testing
 - Clusters not treated as one program for major program determination and testing

- Type A threshold was incorrect
- Failure to consider the effect of large loans on type A threshold
- Failure to meet the percentage of coverage requirements

Low-Risk Auditee Status Incorrect

.111

- Data collection form not filed or filed late
- Material weaknesses in internal control reported
- Opinion on financial statements or SEFA was modified
- Material noncompliance on major federal programs was reported

Testing on Internal Control Over Compliance and Compliance Testing Was Problematic

.112

- Compliance requirements documented as applicable, but not tested
- Lack of understanding between internal control and compliance testing
- Out-of-date work programs were used
- Sample sizes were inappropriate or unsupported
- Improper application of dual-purpose testing
- Lack of testing of internal control over direct and material compliance requirements

Reporting Issues

.113

- Auditor's reports did not include all the required elements
- Auditor did not properly date the report
- Inconsistency in reporting of findings between the schedule of findings and questioned costs and the reports
- Other reporting issues found, such as outdated wording and failure to correctly opine on prior year information

.114 As noted in the preceding list, required independence documentation was found to be lacking when the auditor also performed a nonaudit service. In some cases, it may have been that the auditor did not understand that certain services provided to the auditee, such as preparing the financial statements or SEFA, are considered nonaudit services. In other cases, it may have just been a lack of awareness of the Yellow Book requirements regarding independence and nonaudit services. Any time work is performed on behalf of the auditee by the auditor, consideration should be given to whether it is a nonaudit service and auditors should be familiar with the related requirements contained in the AICPA Code of Professional Conduct and *Government Auditing Standards*.

.115 The AICPA has developed the free *2011 Yellow Book Independence—Nonaudit Services Documentation Practice Aid* to assist auditors in meeting the requirements of the Yellow Book. This practice aid can help the auditor in

identifying and evaluating threats to independence when considering whether to provide a nonaudit service. Key features of the practice aid are

- a step-by-step questionnaire template that covers the thought process and related auditor documentation considerations when evaluating independence;
- detailed appendixes that include, among other things, real-life examples of actual nonaudit service scenarios and how an auditor might respond to them;
- information on how an auditor might consider an auditee's skills, knowledge, or experience, which is a requirement for every nonaudit service provided; and
- an illustrative completed version of the questionnaire template.

.116 This practice aid is available at no cost to all AICPA members, including GAQC members, and consists of a flat PDF file of the entire practice aid. Because of the importance of this area, and to promote consistency in practice, the practice aid is also available for purchase in a format that is designed for auditor documentation input. This version is capable of generating documentation regarding nonaudit services that may be used as part of audit documentation.

Public Availability of the Data Collection Form and Reporting Package

Public availability of the data collection form and reporting package submissions mean that the auditor's work product will be easily viewed and accessible by the public. Judging from the nature and significance of the peer review matters and professional ethics violations found by the AICPA, this could be a real issue for some auditors.

Now would be a good time for all auditors to take a hard look at the issues found in single audits, investigate their firm's performance in these areas, obtain additional training, and consider updating their firm's internal quality control procedures as needed.

Audit and Attest Developments

AICPA's Attest Clarity Project

.117 In April 2016, the Auditing Standards Board issued the clarified Statements on Standards for Attestation Engagements (SSAE) as SSAE No. 18, *Attestation Standards: Clarification and Recodification* (AICPA, *Professional Standards*). SSAE No. 18 is effective for practitioners' reports dated on or after May 1, 2017.

.118 The attestation standards establish requirements for performing and reporting on examination, review, and agreed-upon procedures engagements that enable practitioners to report on subject matter other than historical financial statements. SSAE No. 18 supersedes all of the existing attestation standards with the following exceptions:

- AT section 501, *An Examination of an Entity's Internal Control Over Financial Reporting That Is Integrated With an Audit of*

Financial Statements (AICPA, *Professional Standards*). The content of AT section 501 has been clarified, revised, and issued as a Statement on Auditing Standards (SAS) in 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 section 940). The effective date for SAS No. 130 is for integrated audits for periods ending on or after December 15, 2016.

- AT section 701, *Management's Discussion and Analysis* (AICPA, *Professional Standards*). This section has not been clarified because practitioners rarely perform these engagements; however, it will be retained in the clarified attestation standards in its current form.

AICPA Competency and Learning Website

.119 The GAQC has worked closely with the AICPA's Member Learning and Competency team to develop several important tools and resources related to competency in governmental auditing, including single audits. The following sections describe two tools for auditors to use in considering and evaluating competence.

Governmental Competency Model

.120 The *AICPA Competency Framework: Governmental Auditing* (the framework) is designed to help CPAs understand the knowledge and skills necessary to perform high-quality state and local governmental financial statement audits, single audits, and Yellow Book audits. The framework is underpinned by the need for objectivity, integrity, and ethical behavior and includes a commitment to continuously acquire new skills and knowledge. The governmental auditing technical competencies are organized into five core skill sets:

- Client acceptance
- Engagement planning
- Engagement analysis or testing
- Concluding the engagement
- Guiding principles

.121 The framework then identifies specific skills within each of the preceding core skill sets. The skills in each core skill set are further categorized into foundational, intermediate, advanced, and expert levels. Download the free *AICPA Competency Framework: Governmental Auditing*.

Knowledge Checks and Targeted Learning Resources

.122 Additionally, the AICPA | CIMA Competency and Learning website has been expanded to include knowledge checks and targeted learning resources for state and local governmental financial statement audits, single audits, and Yellow Book audits. Knowledge checks are provided for the following single audit topics and subtopics:

- Yellow Book requirements
- Auditor independence under the Yellow Book
- Yellow Book competence and CPE requirements

- Single audit requirements
- Major program determination
- Schedule of expenditures of federal awards
- Materiality
- Internal control
- Compliance testing
- Sampling
- Findings

.123 Individuals can take the knowledge check assessments in each of the topical areas to help identify areas for improvement. The site also provides recommended learning resources such as publications, self-study courses, webcasts, and more. The learning content is served up using a competency framework–based approach, allowing users to sharpen skills and advance in areas of importance to both individuals and their firm or state audit organization. Access the governmental knowledge checks section of the AICPA | CIMA Competency and Learning website to get started. Additionally, access the learning section of the AICPA | CIMA Competency and Learning website to explore governmental audit learning resources.

AICPA GAQC

.124 The GAQC is a voluntary membership center for CPA firms and state audit organizations (SAOs) designed to improve the quality and value of governmental audits. For the purposes of the GAQC, governmental audits are performed under *Government Auditing Standards* and are audits and attestation engagements of federal, state, or local governments; not-for-profit entities; and certain for-profit organizations, such as housing projects and colleges and universities that participate in governmental programs or receive governmental financial assistance.

.125 The mission of the GAQC is to

- raise awareness about the importance of governmental audits,
- serve as a comprehensive resource provider on governmental audits for member firms and SAOs,
- create a community of firms and SAOs that demonstrates a commitment to governmental audit quality,
- list member firms and SAOs to enable purchasers of governmental audit services to identify GAQC members, and
- provide information about the GAQC's activities to other governmental audit stakeholders.

.126 The GAQC keeps members informed about the latest developments through a number of resources that provide members with tools and information to help better manage their audit practices. CPA firms and state audit organizations that join demonstrate their commitment to audit quality by agreeing to adhere to certain membership requirements.

.127 The GAQC has been in existence since September 2004. Since its launch, center membership has grown to approximately 2,000 member firms and state audit organizations from all 50 states, the District of Columbia, and Puerto Rico. The CPA firm members of the GAQC account for over 91 percent

of the total federal expenditures covered in single audits as found in the FAC (<http://harvester.census.gov/fac/>) for the year 2013 (the latest year with complete submission data). The GAQC's focus is to promote the highest quality audits and save members time by providing a centralized place to find the information they need, when they need it, to maximize quality and practice success.

.128 Center resources and benefits include the following:

- Email alerts with the latest audit and regulatory developments, including information on the revisions relating to the Uniform Guidance
- Exclusive webcasts and webinars on compliance auditing and timely topics relevant to governmental and not-for-profit financial statement audits (optional CPE is available for a small fee, and events are archived online)
- Dedicated GAQC website on the aicpa.org website with resources, community, events, products, and a complete listing of GAQC members in each state
- Single audit practice aids and tools
- Web events on topics relevant to single audits
- An Auditee Resource Center containing practice aids and other resources to keep auditees well informed about audit requirements and other issues related to their audits
- A GASB Matters page, which lists resources found on the website related to GASB topics of current interest
- Advocacy regarding issues related to the audit and regulatory environment facing auditors
- A marketing toolkit for member firms
- Savings on professional liability insurance

.129 Whereas some of the GAQC's resources are available only to members, other resources are available to the public and can be accessed from the GAQC website. For more information about the GAQC, visit the GAQC website at www.aicpa.org/GAQC.

Help Desk: To enroll or learn more about the GAQC, including details on the membership requirements and fees and for a preview of member benefits, go to the membership page of the GAQC at www.aicpa.org/INTERESTAREAS/GOVERNMENTALAUDITQUALITY/MEMBERSHIP/Pages/default.aspx or email the GAQC staff at GAQC@aicpa.org.

GAQC Executive Committee

.130 The GAQC is governed by an executive committee that establishes general center policies and oversees its activities. The executive committee also establishes center membership requirements, subject to AICPA Board of Directors approval. Members of the executive committee must be members of the AICPA. For more information, visit the GAQC Executive Committee page at www.aicpa.org/interestareas/governmentalauditquality/community/pages/governmental%20audit%20quality%20executive%20committee.aspx.

AICPA GAQC Auditee Resource Center

.131 Although the GAQC is a voluntary membership center intended primarily to assist CPA firms and state audit organizations in improving their audit quality, the GAQC also hosts an Auditee Resource Center, which is open to the public and is intended for procurers of audit services (auditees). Information found in this section of the GAQC website relates to auditees that are required to undergo audits performed under *Government Auditing Standards*. Those audits include financial statement audits of governments and not-for-profit entities; Yellow Book audits; and compliance audits, including audits performed under the Uniform Guidance (referred to as *single audits*), HUD audits, and other compliance audits of for-profit entities.

.132 Although auditors are ultimately responsible for providing high-quality audit services, the GAQC recognizes that auditees play a key role in the audit process and are an important factor in the audit quality equation. Well-informed auditees with strong governance structures increase the likelihood of high-quality audits and more efficient audits. Why might that be? Experience has shown that these auditees generally spend more time considering the qualifications of a potential auditor during the hiring process and evaluating the reasonableness of an auditor's anticipated hours in relation to the proposed fee based on the work to be performed. Further, these auditees have a stronger understanding about the audit requirements that apply to them, are better prepared for their audits, and more clearly understand their role in the audit process.

.133 To assist auditees with the audit process, the GAQC Auditee Resource Center includes information, tools, practice aids, and other resources that should be of interest and benefit to auditees. Additionally, everything available in the Auditee Resource Center is open to the public. Some of the information available at the center includes resources that the GAQC also makes available to its auditor members. Further, other auditee-specific resources have been developed and are available at the center, and more will be added in the future. Auditors should let their clients know about this resource.

AICPA Single Audit Certificate Programs

.134 As part of the AICPA's Enhancing Audit Quality Initiative, the AICPA is offering exam-based intermediate and advanced level certificates to CPAs who perform single audits. The AICPA developed these certificate programs to help auditors demonstrate their level of expertise and commitment to excellence and distinguish themselves in the marketplace. The certificate programs may also assist those requiring a single audit in selecting a qualified and competent auditor.

.135 The single audit certificates, which are offered at the intermediate and advanced competency levels, are based on the Uniform Guidance and the *AICPA Competency Framework: Governmental Auditing*, with a focus on common deficiency practice areas. Both the intermediate and advanced certificate programs offer flexible learning options, allowing you to take CPE learning or a standalone exam, or both. Participants are not required to take the intermediate exam in order to take the advanced exam. Once you have successfully passed the exam(s), you will receive a digital badge that can be used across the Internet to demonstrate your competency at either an

intermediate or advanced level. The single audit certificates are available at <http://sacert.aicpastore.com/>.

AICPA Not-for-Profit Initiatives

.136 To meet the increasing needs in the fast-growing sector of not-for-profits (NFPs), in 2015 the AICPA launched the following two initiatives that provide news, education, training, and resources to CPAs and non-CPA professionals serving NFPs:

- Not-for-Profit Section
- Not-for-Profit Certificate program

.137 Additionally, in establishing the Not-for-Profit Section, the AICPA's governing council voted to broaden membership for its industry-specific sections.

Not-for-Profit Section

.138 To provide a centralized resource center and assist members and other financial professionals in improving audits, the AICPA launched the Not-for-Profit Section in May 2015. The AICPA's Not-for-Profit Section offers section members tools, resources, articles, and information useful to those who work with or for NFPs. Though some content is accessible only by NFP Section members, other content is available for use by the public. Access the website at www.aicpa.org/interestareas/notforprofit/Pages/NFP.aspx.

NFP Certificate Programs

.139 The AICPA offers two certificate programs for not-for-profit professionals. These programs are available to anyone with an interest in learning more about financial management of NFPs.

Not-for-Profit Certificate I

.140 The Not-for-Profit Certificate I program is specially designed to help accountants and others gain a basic understanding of these entities and to support them in the pursuit of their mission. The Not-for-Profit Certificate I program provides a foundation in not-for-profit accounting, tax compliance, governance, and assurance. This online program is available on demand and offers 40 hours of CPE-eligible credit that is divided among 24 courses, delivered in 3 topical tracks.

.141 Participants learn about GAAP reporting standards that apply to NFPs, including financial statement presentation and disclosure requirements, state and federal filing requirements for tax-exempt organizations, best practices in board governance, financial oversight, internal controls, fraud and other risks, and audit planning considerations. Courses are available for purchase individually or as a package. All 24 courses must be completed to receive the certificate; however, there may be individual courses from which staff and volunteers can benefit. Learn more at www.AICPAStore.com.

Not-for-Profit Certificate II

.142 Launched in December 2015, this 30-hour CPE program comprises 17 courses that build on the core principles presented in the first not-for-profit certificate program; however, there is no required course of study before

taking these courses. This online, video-based program is presented by leading NFP industry experts and is intended to teach participants to apply skills in a real-world setting. Participants learn how to prepare financial statements, how to complete IRS Form 990, how to build complex budgets, how to perform risk assessments, how to guide the strategic planning process, and how to work with an NFP's governing board. Learning exercises, targeted case studies, and detail-rich interpretations are interspersed throughout the video presentations. Courses are available for purchase individually or as a package and are accessible on demand. All 17 courses must be completed to receive the certificate; however, there may be individual courses from which staff and volunteers can benefit. Learn more at www.AICPAStore.com.

On the Horizon

.143 Although there have been no revisions to *Government Auditing Standards* within the past year, there was discussion at the April 2016 Government Accountability Office (GAO) Yellow Book Advisory Council meeting regarding the consideration of future revisions to the Yellow Book. Possible areas of revision include competency and CPE requirements and independence, among other things. An exposure draft is possible in the later part of 2016.

.144 In addition, auditors should be alert to the possibility of revisions to, or clarifications of, the Uniform Guidance made through technical corrections or COFAR FAQs. Also, federal agencies may issue communications related to audits of their federal programs. The GAQC is an excellent resource for that information.

.145 Auditors should keep abreast of accounting developments and upcoming guidance that may affect their engagements. Information on, and copies of, outstanding exposure drafts may be obtained from the various standard setters' websites. These websites contain in-depth information about proposed standards and other projects in the pipeline.

.146 Readers should refer to the Audit Risk Alert *General Accounting and Auditing Developments—2016/17* for further information. The "Resource Central" section of this alert provides information about additional publications and other resources that may assist auditors in keeping up-to-date on current developments.

Resource Central

.147 The following are various resources that practitioners who perform financial statement audits under *Government Auditing Standards* and compliance audits under the Uniform Guidance may find beneficial.

Publications

.148 Practitioners may find the following publications useful. Visit www.AICPAStore.com and choose the format best for you—print, e-book, or online.

- Audit Guide *Government Auditing Standards and Single Audits* (2016) (product nos. AAGGAS16P [paperback], AAGGAS16E [e-book], or WRF-XX [online])

- Audit and Accounting Guide *Not-for-Profit Entities* (2016) (product nos. AAGNFP16P [paperback], AAGNFP16E [e-book], or WNP-XX [online])
- Audit and Accounting Guide *State and Local Governments* (2016) (product nos. AAGSLG16P [paperback], AAGSLG16E [e-book], or WGG-XX [online])
- Audit and Accounting Guide *Health Care Entities* (2016) (product nos. AAGHCO16P [paperback], AAGHCO16E [e-book], or WHC-XX [online])
- Audit Risk Alert *General Accounting and Auditing Developments—2016/17* (product nos. ARAGEN16P [paperback], ARAGEN16E [e-book], or WGE-XX [online])
- Audit Risk Alert *Not-for-Profit Entities Industry Developments—2016* (product nos. ARANFP16P [paperback], ARANFP16E [e-book], or WNP-XX [online])

.149 A practice aid, *2011 Yellow Book Independence—Nonaudit Services Documentation*, has been developed by the GAQC to assist an auditor in evaluating nonaudit services and the effect of performing such services on auditor independence under the 2011 revision of *Government Auditing Standards*. Included with the practice aid is an electronic template that auditors can prepare and save to meet the Yellow Book documentation requirements when identifying and evaluating threats to independence relating to nonaudit services. That is, auditors can input their responses to various independence considerations outlined in the template for each engagement. The template can then be easily saved and used as part of the audit documentation. This publication is available at www.AICPAStore.com (product no. APAYBI12D [on-demand]).

.150 AICPA members can access the practice aid without the electronic supplement at no cost by visiting the GAQC website. You must be logged in to access the document.

Continuing Professional Education

.151 The AICPA offers a number of CPE courses that are valuable to CPAs working in public practice and industry, including many that are specifically related to audits performed under *Government Auditing Standards* and compliance audits performed under the Uniform Guidance. Visit www.AICPAStore.com for a complete list of CPE courses.

Online CPE

.152 AICPA CPEexpress, offered exclusively through the AICPA store, is the AICPA's flagship online learning product. Divided into 1-credit and 2-credit courses that are available 24 hours a day, 7 days a week, AICPA CPEexpress offers hundreds of hours of learning in a wide variety of topics. Subscriptions are available at www.AICPAStore.com (product no. BYF-XX). (product no. BYF-XX). Some topics of special interest to those performing single audits include the following:

- Single audits
- Uniform Guidance compliance audits
- Yellow Book requirements

- Accounting requirements for governments and not-for-profit organizations
- Audit and accounting annual and quarterly updates on recent developments
- HUD-assisted projects
- Fraud detection and prevention

.153 To register for individual courses or to learn more, visit www.AICPAStore.com.

Webcasts

.154 Stay plugged in to what is happening and earn CPE credit right from your desktop. AICPA webcasts are high-quality CPE programs that bring you the latest topics from the profession's leading experts. Broadcast live, they allow you to interact with the presenters and join in the discussion. If you cannot make the live event, each webcast is archived and available for viewing. For additional details on available webcasts, please visit http://aicpastore.com/AST/AICPA_CPA2BiZ_Nav/Responsive_Top_Nav/Webcasts.jsp.

Industry Conferences

.155 The AICPA sponsors three annual conferences that include a focus on *Government Auditing Standards* and Uniform Guidance topics that are held in the summer and fall of each year.

.156 The National Governmental Accounting and Auditing Update Conference (GAAC) will be held August 7–10, 2017, in Washington, D.C. This conference is designed for CPAs working in federal, state, and local government; public practitioners performing single audits; and regulators who need to be aware of emerging developments. Attending this conference is a great way to receive timely information and guidance regarding federal, state, and local topics, along with practical advice on how to handle new legislation and standards from key government officials and representatives of the accounting profession, including the standard setters themselves. Note that going forward there will be one GAAC conference in Washington, D.C., that will include the topics previously covered at GAAC West.

.157 The AICPA National Governmental and Not-for-Profit Training Program is being held October 23–25, 2017, in Las Vegas, Nevada. If you need hands-on training and are a CPA in public practice or a governmental or not-for-profit staffer, then this conference is for you. You'll hear directly from the standard setters and industry leaders on a variety of topics, including developments in governmental accounting and auditing, financial statement reporting, and the latest in proposed regulations and laws on the local, state, and federal government levels as well as those affecting the not-for-profit sector.

.158 The National Not-for-Profit Industry Conference will be held June 21–23, 2017, in Washington, D.C. The conference offers a wide range of topics geared toward both auditors and not-for-profit professionals at every level: tax, management, audit and accounting, fundraising, and regulatory.

.159 For further information about the conferences, call 888.777.7077 or visit www.AICPAStore.com.

Member Service Center

.160 AICPA Member Service is committed to serving both members and customers of the AICPA who need assistance with membership, products, services, and activities. If you can't find what you are looking for or have a question that can't be answered by the information on one of our websites, please call Member Services at 888.777.7077, Monday through Friday, 9 a.m. to 6 p.m. ET, or send an email to service@aicpa.org.

Government Accountability Office

.161 For technical or practice questions regarding the Yellow Book, please call 202.512.9535 or email yellowbook@gao.gov.

Accounting and Auditing Technical Hotline

.162 Do you have a complex technical question about GAAP, other comprehensive bases of accounting, or other technical matters? If so, use the AICPA's Accounting and Auditing Technical Hotline. AICPA staff will research your question and call you back with the answer. The hotline is available from 9 a.m. to 8 p.m. ET on weekdays. You can reach the Technical Hotline at 877.242.7212 or online at www.aicpa.org/Research/TechnicalHotline/Pages/TechnicalHotline.aspx. Members can also email questions to aahotline@aicpa.org. Additionally, members can submit questions by completing a Technical Inquiry form found on the same website.

Ethics Hotline

.163 In addition to the Technical Hotline, the AICPA also offers an Ethics Hotline. Members of the AICPA's Professional Ethics Team answer inquiries concerning independence and other behavioral issues related to the application of the AICPA Code of Professional Conduct. You can reach the Ethics Hotline at 888.777.7077 or by email at ethics@aicpa.org.

The Center for Plain English Accounting

.164 The Center for Plain English Accounting (CPEA) is a service available to Private Companies Practice Section member firms. The CPEA provides expertise and resources in a straightforward and clear style. Written responses to technical inquiries, webcasts on hot topics, and monthly reports and alerts help practitioners understand and implement the authoritative professional literature when auditing, reviewing, preparing, and compiling financial statements. To join the CPEA and take advantage of these valuable resources and guarantee your practice a seat at eight annual webcasts (16 CPE credits), go to www.aicpa.org/CPEA.

AICPA Online Professional Library: Accounting and Auditing Literature

.165 The AICPA has created your core accounting and auditing library online. The AICPA Online Professional Library is now customizable to suit your preferences or your firm's needs. You can also sign up for access to the entire library. Get access anywhere you can get online to *FASB Accounting Standards Codification*®; the AICPA's latest *Professional Standards, Technical Questions*

and Answers, Audit and Accounting Guides, Audit Risk Alerts, Best Practices in Presentation and Disclosure publications; and more. To subscribe to this essential online service for accounting professionals, visit www.AICPAStore.com.

Financial Reporting Center of AICPA.org

.166 CPAs face unprecedented changes in financial reporting. As such, the AICPA has created the Financial Reporting Center (FRC) to support you in the execution of high-quality financial reporting. The center provides exclusive member-only resources for the entire financial reporting process and can be accessed at www.aicpa.org/frc.

.167 The FRC provides timely and relevant news, guidance, and examples supporting the financial reporting process. You will find resources for accounting, preparing financial statements, and performing various types of engagements, including compilation and review, audit and attest, and assurance and advisory.

AICPA Industry Expert Panels

AICPA Industry Expert Panel—State and Local Governments

.168 The State and Local Government Expert Panel is an AICPA volunteer group whose purpose is to identify state and local government financial reporting and auditing issues and to work with appropriate bodies for resolutions benefiting the public interest; conduct liaison activities with GASB, regulators such as the GAO and OMB, and applicable industry associations; and advise and assist in the development of AICPA products and services related to state and local government audits. For information about the activities of the State and Local Government Expert Panel, visit the panel's website in the "Industry Insights" section of the FRC at www.aicpa.org/InterestAreas/FRC/IndustryInsights/Pages/Expert_Panel_State_and_Local_Governments.aspx.

AICPA Industry Expert Panel—Not-for-Profit Entities

.169 The AICPA Not-for-Profit Entities Industry Expert Panel assists those working in the industry by identifying financial reporting and auditing issues within the industry for which guidance from standard-setting bodies is needed and by working with appropriate bodies having authority over such standards in finding resolutions to issues. For more information about the activities of the Not-for-Profit Entities Expert Panel, visit the panel's website in the "Industry Insights" section of the FRC at www.aicpa.org/InterestAreas/FRC/IndustryInsights/Pages/Expert_Panel_Not_for_Profit_Entities.aspx.

Industry Websites

.170 The Internet covers a vast amount of information that may be valuable to auditors performing single audits, including current industry trends and developments. Some of the more relevant sites for auditors performing single audits include those shown in the following table.

Organization	Website
AICPA	www.aicpa.org www.AICPAStore.com www.ifrs.com
AICPA Governmental Audit Quality Center	www.aicpa.org/InterestAreas/GovernmentalAuditQuality/Pages/GAQC.aspx
AICPA Not-for-Profit Interest Area and Member Section	www.aicpa.org/INTERESTAREAS/NOTFORPROFIT/Pages/NFP.aspx
Catalog of Federal Domestic Assistance (CFDA)	www.cfda.gov
Office of Executive Councils: Chief Financial Officers Council, Council on Financial Assistance Reform (COFAR)	www.cfo.gov/cofar/
Department of Education: Office of Inspector General Non-Federal Audit Team	www2.ed.gov/about/offices/list/oig/nonfed/nfteam.html
Department of Health and Human Services (HHS): Office of Inspector General	www.oig.hhs.gov
Department of Housing and Urban Development (HUD): Office of Inspector General	www.hudoig.gov
Federal Audit Clearinghouse (FAC)	http://harvester.census.gov/facweb/
The Federal Reserve Board	www.federalreserve.gov
Financial Accounting Standards Board (FASB)	www.fasb.org
Government Accountability Office (GAO)	www.gao.gov 2011 Revision of <i>Government Auditing Standards</i> : www.gao.gov/yellowbook Green Book: www.gao.gov/greenbook/overview
Governmental Accounting Standards Board (GASB)	www.gasb.org
Government Printing Office Access	www.gpo.gov/fdsys/
Grants.gov	www.grants.gov
Council of the Inspectors General on Integrity and Efficiency (IGnet)	www.ignet.gov/

<i>Organization</i>	<i>Website</i>
Office of Management and Budget (OMB)	www.whitehouse.gov/omb/ OMB circulars: www.whitehouse.gov/omb/circulars/ Uniform Guidance: Title 2 U.S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i>
Private Company Financial Reporting Committee	www.pcfr.org
Public Company Accounting Oversight Board (PCAOB)	www.pcaob.org
USA.gov	www.usa.gov
USAspending.gov	www.usaspending.gov

.171 The websites of the governmental practices of some of the larger CPA firms may also contain industry-specific auditing and accounting information that is helpful to auditors.
