

**MSBO Business Manager/CPA
Workshop
Early Bird Session
June 8, 2023**

**Governmental Audit And Accounting
Update**

Presented by
Eric Formberg, Retired Partner
Plante Moran

Agenda

- Provide information to help plan 2023 school audits
- Provide a summary of the activities of standard-setting bodies and regulators
- Provide other updates, best practices, and tips
- Increase awareness of the resources to maintain or improve audit quality
- Focus on school specific applications

Early Bird Session Summary

GASB 96 – Midsummer Night's ~~Dream~~ Nightmare or Much Ado about Nothing?

GASB 87 – update those lease lists!

Funding Cliff – ESSER funding schedule to run out 9.30.24

State funding – “good” for the next 2 year, but what will good look like

Federal Grants

- ESSER funding plus some return to “normal”
- Compliance Supplement issued 5.19.23, a few changes, and no ERate until 2024
- DCF cannot file until 10.1.23, to GSA site

Audit Evidence (SAS 142) this year, many more in next 2 years

MDE

- CNC – do not report excess FB as a finding
- Davis Bacon – are federal grants doing “construction”
- More Categoricals= more accounting and more restricted use funding

...Just in case!



Effect of Current Environment on Governmental Audits

Current Environment - Setting the Stage – School F/S Audits

COVID-19 funding winding down, but impact continues

- Most schools will experience funding cliffs due to pandemic funding ending

Economic environment changes (e.g., rising interest rates)

Accounting estimates (e.g., pension OPEB, leases, SBITA, investments assumptions)

Depository relationships

New accounting and AICPA auditing standards



Current Environment - Setting the Stage – School Single Audits

Historic federal funding (COVID-19 and IIJA funding)

- New IIJA programs (Infrastructure) and continued impact on existing programs receiving additional funding
 - Impact on K12?
- “Higher risk” classification by OMB will continue which impacts major program determination

New recipients/increase in first-time single audits

COVID-19 waiver expiration

Continued workload compression

Federal focus on oversight, accountability, and transparency

6 Quality should always be a focus!



Technical Updates

Overview

AICPA

Yellow Book

Single audits and audits of for-profits with federal funding

Other federal agency audit requirement updates

SLG F/S audit developments

AICPA EAQ - 2023 Areas of Focus



Risk assessment



**Quality
management**



Single audit



ESG attestation



**Technology-
enabled auditing**

AICPA Peer Review - Checklists of Interest to Governmental Auditors

Section	Title	Date
20,500	Governmental Audit (F/S audit)	10/2020
22,100	Single Audit (Parts A and B)	4/2022
4,400A	2018 Yellow Book - Quality Control	10/2020
22,110A	2018 Yellow Book - Audits	10/2020
22,120A	Yellow Book - Attestation Engagements and Reviews	10/2020

Note: Use the checklists as part of your quality control!

Access [AICPA peer review checklists](#).

AICPA Ethics – Recent Interpretations

Loans, Acquisitions, and Other Transactions

- ET 0.400.06, 1.210.010, 1.224.010, 1.260.010, 1260.020, 1.270.010
- Effective 12/31/22
- [Official release](#)
- [JofA article](#)

Assisting Attest Clients With Implementing Accounting Standards

- ET 1.295.113
- Effective 12/31/22
- [Official release](#)
- [JofA article](#)

Unpaid Fees

- ET 1.230.010
- Effective 12/31/22
- [Official release](#)
- [JofA article](#)

Responding to Noncompliance with Laws and Regulations (NOCLAR)

- ET 1.180.010, 2.180.010, 1.000.020, 2.000.020
- Effective June 30, 2023
- [Official release](#)
- [JofA article](#)

Information System Services

- ET 1.295.145
- Effective January 1, 2023
- [Official release](#)
- [JofA article](#)

Compliance Audits

- ET 0.400
- Effective June 15, 2023
- [Official release](#)
- [JofA article](#)

AICPA Ethics – NOCLAR

Establishes a member's responsibilities when encountering noncompliance or suspected noncompliance with laws and regulations

Guides the member in evaluating the implications of a matter and the possible courses of action when responding to it

Provides separate guidance for members in business; members providing financial statement audit or review services; and members providing services other than a financial statement audit or review service.

Access [interactive NOCLAR tool](#) issued by AICPA Ethics team



Effective June 30, 2023, with early implementation allowed.

AICPA Ethics – Compliance Audits



New definitions: 1) Compliance audit; and 2) Compliance audit client

Revision to financial statement attest client – **removes** the requirements to:

- 1) Apply the “Independence Rule” ([ET sec. 1.200.001](#)) with respect to any entity that meets both of the following
 - a) Not subject to compliance audit procedures and
 - b) Includes amounts in the schedule or statement that are trivial and clearly inconsequential; and
- 2) Apply the Affiliates rule ([ET sec 1.224](#)) with respect to a compliance audit client

Effective for compliance audits commencing on or after June 15, 2023,
with early implementation allowed

AICPA Ethics – Information System Services

Applies when a member provides nonattest services related to an attest client's information systems.

- Examples include operating the attest client's information technology help desk, loading commercial off-the-shelf software for the attest client, and being responsible for the maintenance of an attest client's network performance procedures.

Includes a discrete tool exception

Access a [Practice Aid](#) issued by AICPA Ethics team

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Effective June 30,
2023 for Schools

Effective January 1, 2023, with early
implementation allowed.

AICPA Ethics - Other Resources

Requirements

- Access the AICPA [Professional Code of Conduct](#)

FAQs

- Ethics Questions and Answers
 - Relocated to an [Online Ethics Library](#)
 - Answers to common member inquiries provided by AICPA Ethics team
- New Q&As on
 - [Noncompliance with Laws and Regulations](#) (December 2022)
 - [Compliance Audits](#) (December 2022)
 - [Assisting Attest Clients](#) (December 2022)

Other resources

- “Ethically Speaking” Podcasts - Check out recent podcasts on auditing government entities; independence and nonattest services; and more - [Access podcasts](#)
- Practice Aid – [Independence Considerations for Information Services Practice Aid](#)
- Tool – [Independence rules comparison: AICPA and Government Auditing Standards](#)
- Interactive Decision Tree – [Responding to Noncompliance with Laws and Regulations](#)

AICPA ASB - Recent Auditing Standards

SAS No.	Topic	AU- C Section Affected	Effective Date
<u>142</u>	Audit Evidence	500 and various other AU-Cs	Audits of periods ending on or after 12/15/2022 Effective this year for school audits
<u>143</u>	Auditing Accounting Estimates and Related Disclosures	540 and various other AU-Cs	Audits of periods ending on or after 12/15/2023
<u>144</u>	Use of Specialists and Use of Pricing Information	501, 540, and 620	Audits of periods ending on or after 12/15/2023
<u>145</u>	Risk Assessment	315 and various other AU-Cs	Audits of periods ending on or after 12/15/2023

AICPA ASB - Recent Auditing Standards

SAS No.	Topic	AU- C Section Affected	Effective Date
<u>146</u>	Quality Management for an Engagement Conducted in Accordance With Generally Accepted Auditing Standards	220 and various other AU-Cs	Audits of periods beginning on or after 6/30/2025
<u>147</u>	Inquiries of the Predecessor Auditor Regarding Fraud and Noncompliance With Laws and Regulations	210	Audits of periods beginning on or after 6/30/2023
<u>148</u>	Amendments to AU-C Section 935	935	Various (to align with effective dates of SAS 142 and 145)
<u>149</u>	Special Considerations – Audits of Group Financial Statements (Including the Work of Component Auditors and Audits of Referred-to Audits)	600 and various other AU-Cs	Audits of periods ending on or after 12/15/2026

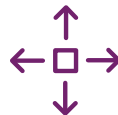
SAS No. 142, *Audit Evidence*

Addressing evolving nature of audit services

Emerging tools and techniques, including data analytics

Professional skepticism

External information sources



EFFECTIVE

**Effective for
audits of
periods ending
on or after
December 15,
2022**

**Effective for
this year's
school audits!**

SAS 142, *Audit Evidence*



Old objective:

“The objective of the auditor is to design and perform audit procedures that enable the auditor to obtain sufficient appropriate audit evidence...”



New objective:

“The objective of the auditor is to **evaluate information** to be used **as audit evidence**, **including** the results of **audit procedures**, to inform the auditor’s overall **conclusion** about whether **sufficient appropriate audit evidence** has been obtained.”

Audit Evidence
“Information used by the auditor in arriving at the conclusions on which the auditor’s opinion is based. Audit evidence is information to which audit procedures have been applied and consists of information that corroborates or contradicts assertions in the financial statements.”

SAS 142, *Audit Evidence*

Develops a framework for evaluating attributes of audit evidence to evaluate

- Sufficiency and
- Appropriateness
 - relevance and reliability (including its source)
- Whether the information corroborates or contradicts management's assertions
- Whether the information is sufficiently precise and detailed

Sufficiency and appropriateness together affect the persuasiveness of audit evidence

SAS 143, Auditing Accounting Estimates and Related Disclosures

Supersedes AU-C section 540

Addresses the auditor's responsibilities relating to accounting estimates, including fair value accounting estimates, and related disclosures in an audit of financial statements.



coming soon

**Effective for
audit of periods
ending on or
after December
15, 2023**

**Begin to plan
for next year's
School district
audits**

SAS 143, *Auditing Accounting Estimates and Related Disclosures*

Explains the nature of accounting estimates and the concept of estimation uncertainty

Address scalability of the SAS for all types of accounting estimates, from relatively simple to complex

Requires a separate assessment of inherent risk and control risk

Includes risk assessment requirements specific to estimates and addresses the increasingly complex business environment and complexity in financial reporting frameworks

Addresses the exercise of professional skepticism when auditing accounting estimates

Intended to enable auditors to appropriately address the increasingly complex scenarios that arise from new accounting standards that include estimates

SAS 143, Auditing Accounting Estimates and Related Disclosures

Emphasizes that further audit procedures need to be responsive to the reasons for the assessed risks of material misstatement at the relevant assertion level

Emphasizes the importance of the auditor's decisions about controls relating to accounting estimates by providing estimates-specific guidance on relevant requirements in other AU-C sections

Requires the auditor to evaluate, based on the audit procedures performed and the audit evidence obtained, whether the accounting estimates and related disclosures are reasonable in the context of the applicable financial reporting framework

SAS 144, Use of Specialists and Use of Pricing Information

Amends AU-C Sections 501, 540, and 620 related to the use of specialists and the use of pricing information obtained from external information sources

Adds a new appendix to AU-C 540, “Use of Pricing Information From Third Parties as Audit Evidence,” to provide guidance on using such information as audit evidence for estimates related to the fair value of financial instruments

Provides additional guidance on the use of specialists, both auditor’s and management’s

Key Question: Where will this apply in a school district audit?



coming soon

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SAS 145, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement

Will enable auditors to appropriately address the following:

- Understanding the entity's system of internal control, in particular, relating to the auditor's work effort to obtain the necessary understanding
- IT considerations, including addressing risks arising from entity's use of IT
- Determining risks of material misstatements, including significant risks



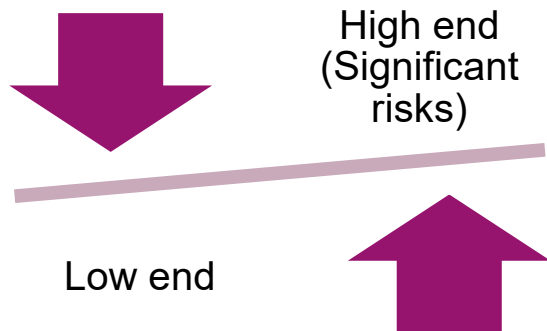
coming soon

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SAS 145 Major Changes

Concept of spectrum of risk



Amended definition of significant risks

Significant risk: An identified risk of material misstatement:

- For which the assessment of **inherent risk is close to the upper end** of the spectrum of inherent risk due to the degree to which inherent risk factors affect the combination of the likelihood of a misstatement occurring and the magnitude of the potential misstatement should that misstatement occur; or
- That is to be treated as a significant risk in accordance with the requirements of other AU-C sections.

SAS 145 Major Changes

Five **new inherent risk factors**: subjectivity, complexity, uncertainty, change and susceptibility to misstatement due to management bias or fraud.

Requires separate assessments of inherent and control risk

If no tests of controls are performed, Risk of Material Misstatement = Inherent Risk

Requires “sufficient, appropriate” evidence as basis for risk assessment

Stand-back requirement for material classes of transactions, account balances, or disclosures not assessed as significant

Risk Assessment in a Financial Statement Audit (New Guide as of January 1, 2023)



Order at:

<http://www.aicpastore.com/>

Risk Assessment - School District Implications

Risk Assessment Tools updated

New IR factors to include

Testing Implications if controls are not tested (previously assessing control risk at max)

Opportunity – rethink how we test the account balances/transactions cycles!

Statements on Quality Management Standards

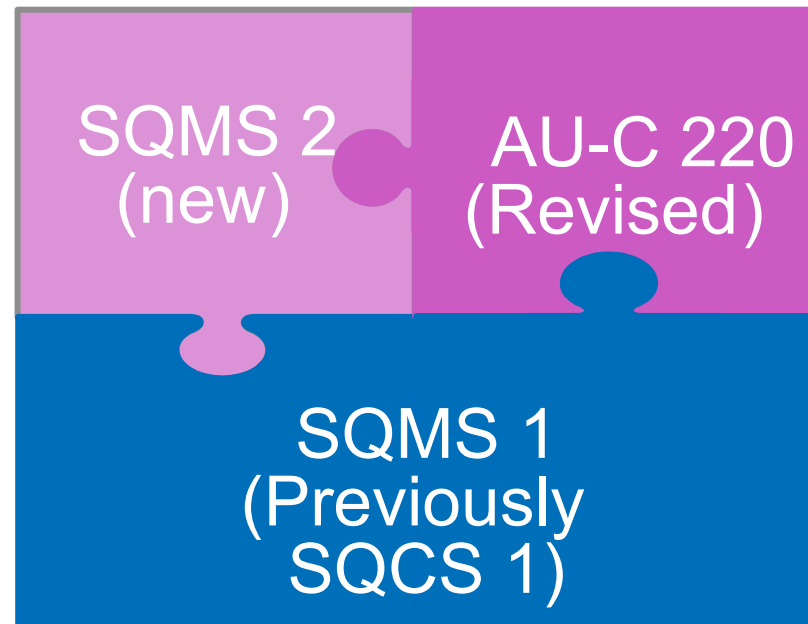
Statement on Quality Management Standards
(SQMS) 1, *A Firm's System of Quality
Management*

SQMS 2, *Engagement Quality Reviews* (New!)

SAS No. 146, *Quality Management for
Engagements Performed in Accordance with
Generally Accepted Auditing Standards* (AU-C
section 220)

Related conforming amendments

***Affects every firm that performs
engagements in accordance with
SASs, SSAEs or SSARS.***



Access [AICPA Quality
Management Resources](#)

SQMS 1 – Key Changes from Current AICPA Quality Control Standards

1. New risk-based approach focused on quality management
2. Revised components of the system of quality management
3. New risk assessment process
4. More robust leadership and governance requirements
5. Enhanced monitoring and remediation process
6. New requirements for networks and service providers

How does the Firms quality management process need to be updated?

SAS No. 146, *Quality Management for an Engagement Conducted in Accordance with GAAS*



Evolving use of varying audit delivery models



Engagement team may be located together or across different geographic regions



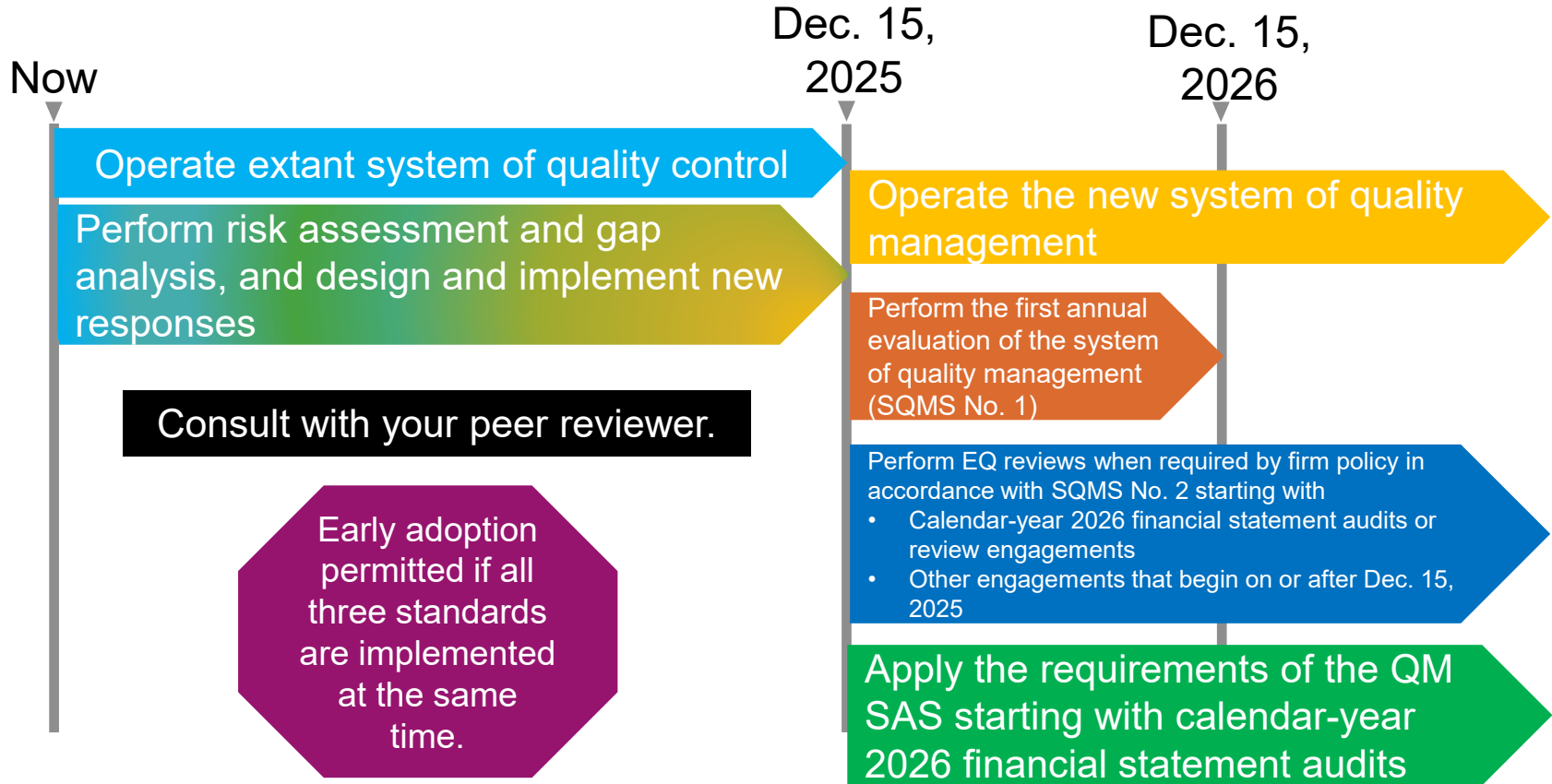
Revised definition of **engagement team** that includes partner, staff and **any other individuals** who perform audit procedures on the engagement, including those engaged by a network firm



Requirements have been enhanced to recognize the use of technological resources in the audit

Addressing the evolving process that is used to complete financial statement audits.

Understanding Effective Dates



*SAS No. 147, **Inquiries of the Predecessor Auditor Regarding Fraud and Noncompliance With Laws and Regulations***

Addresses predecessor/successor communication around NOCLAR (issued in conjunction with changes to Ethics Code)

No revision to the existing audit requirement that the auditor request management to authorize the predecessor auditor to respond fully to the auditor's inquiries regarding matters that will assist the auditor in determining whether to accept the engagement.

Once management authorizes the predecessor to respond,
prospective auditor required to inquire of the predecessor regarding fraud and NOCLAR

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SAS No. 148, *Amendments to AU-C section 935 (the Single Audit)*

Amends AU-C section 935, *Compliance Audits*, to update the appendix “AU-C Sections That Are Not Applicable to Compliance Audits”

Also conforms AU-C section 935 to reflect the issuance of the following SASs:

- SAS No. 142, *Audit Evidence* (AU-C section 500)
- SAS No. 145, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement* (AU-C section 315)

Changes in AU-C 935 Appendix are already effective (to align with SAS 142) and the rest of the standard is effective for audits of periods ending on or after December 15, 2023

Begin to plan for next year's School district audits

Yellow Book - Exposure Draft Issued

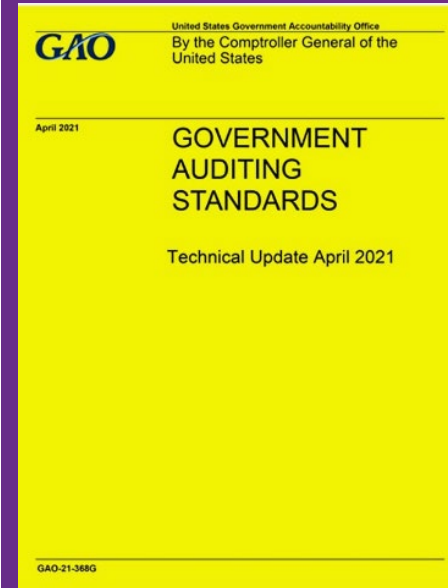
Issued 1/30/23; comments were due 4/28/23

Harmonizes with the IAASB and ASB standards

- Also addresses the potential impact on governmental audit organizations and GAGAS engagements, including performance audits

Proposed effective date requires quality management systems to be designed and implemented within 2 years from issuance of final revision.

- The evaluation of the system of quality management is required within 1 additional year. Early adoption of the proposed revision is permitted.

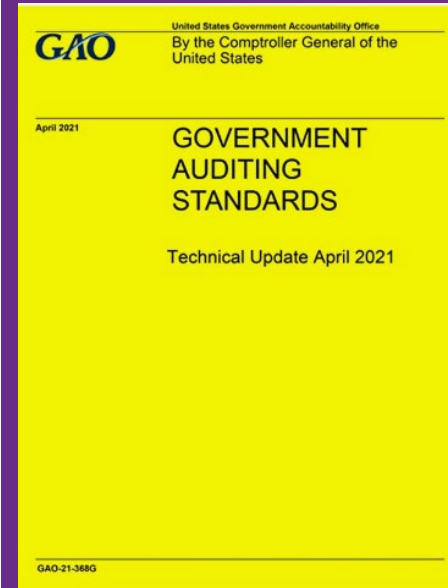


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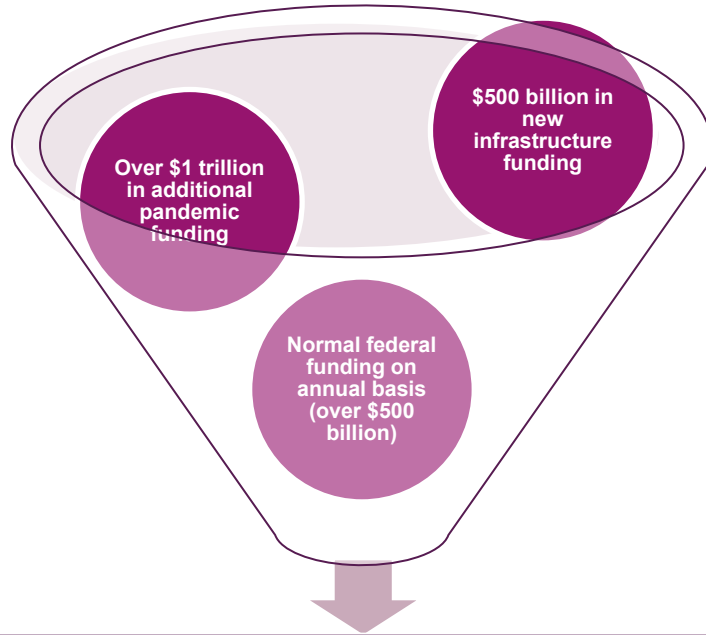
Quality Management - Audit organizations that are subject to AICPA and IAASB quality management standards can comply with those requirements and specific additional Yellow Book requirements

- Avoids the potential burden of audit organizations designing and maintaining separate systems of quality management.

Key Audit Matters – Similar to AICPA standards, adds application guidance stating that communicating key audit matters is permitted in GAGAS financial audits if the auditors are engaged to do so or required to do so by law or regulation



Significant Stress Continues in “Single Audit” System



End Result: Significant Increases in Single Audits and Other Similar Compliance Audits

Year	# Single Audits*
2019	37,290
2020	39,796
2021	44,027
2022	Too early to say; likely higher than 2021 #s (as of now almost 30K already submitted)

***Above numbers do not include for-profit audits of federal funding (e.g., healthcare entities and shuttered venues) which likely would add another 10,000+ audits for 2021 and likely 2022**

Single Audit - Pandemic Funding

Winding down, but still in play for many recipients

Of the pandemic funding programs still in play, the largest and most pervasive are:

- CSLFRF (local governments primarily)
- PRF (health organizations)
- ESF (K12/Higher Ed - ESSER III 😊)

Auditors still need to focus on pandemic funding nuances and keep a focus on quality

How will the trend in funding impact school district operations, financial stability, staffing?

Single Audit - Pandemic Funding Waiver Expirations

National Emergency has ended and the Public Health Emergency ended on May 11

- Many federal COVID-19 waivers were tied to these emergencies

The result? Previous waivers provided to recipients for certain compliance requirements have expired or will expire soon

- For example, HHS healthcare-related, USDA nutrition-related, HUD housing related, ED SFA

Be alert to guidance issued by agencies on expiring waivers since will impact single audit testing

Background on the Infrastructure Investment and Jobs Act

Authorized \$1.2 trillion
for spending



Signed into law by
President Biden on
November 15, 2021



Over \$550 billion
designated for 'new'
federal programs for
transportation,
infrastructure, and
broadband



Each of the federal
programs resulting
from the IIJA have
unique aspects



Probable that significant amounts of this federal funding will either be passed through States or received directly by both non-federal entities and for-profit entities

Key Questions: how will school districts participate and at what level? Will funding come from the federal government, state government, other local governments? If received what areas of school operations be impacted?

2023 Compliance Supplement *Arrived May 19, 2023*

Several new programs and changes to many more programs than usual

- Performance reporting updates
- Changes due to law or regulation changes
- Changes to introduce IIJA provisions

Part 3 minimal changes

- Build America Buy America Act guidance added to Procurement and Cash Management guidance tweaked

Highway Planning and Construction Cluster broken up into individual programs

Universal Service Fund (**Erate, AL 32.004**) pulled from **final**, 1 yr delay

CAUTION!

Information on 2023 Supplement based on initial review of CS.

Review final Supplement closely

2023 Compliance Supplement

Continues to include listing of **higher risk programs** in Appendix IV; programs expected to be included:

Assistance Listing (CFDA) Number	Title
84.425	<u>Education Stabilization Fund</u>
93.498	Provider Relief Fund
93.778/93.777/93.775	Medicaid Cluster
21.023	Emergency Rental Assistance
21.026	Homeowner Assistance Fund
21.027	Coronavirus State and Local Fiscal Recovery Funds (<u>ARP GSRP!!!!</u>)
21.029	Coronavirus Capital Projects Fund
15.252	Bipartisan Infrastructure Law (BIL) Abandoned Mine Land (AML) Grants
96.001/96.006	Disability Insurance/Supplemental Security Income

CAUTION!
Information on
2023 Supplement
based on initial
review of CS.

Review final
Supplement
closely

Other Single Audit Developments - SEFA

Challenges Continue

Out-of-Period issues

- PRF amounts reported on the SEFA align with report submissions to the PRF Reporting Portal
- ESF/HEERF allowed institutions to go back to prior periods for expenditures/lost revenue
 - Note – at this point likely only applies to ESSER III
- SVOG allowed pre-award costs back to March 2020

Determining completeness - certain COVID funding may be handled by departments unaccustomed to federal funding (e.g., 32.009)

Identification of COVID-19 funding on face of SEFA

Determining when awards exist

Use this GAQC nonauthoritative tool as a resource:

[Guidance on the Reporting of Certain COVID-19 Awards on an Accrual Basis SEFA](#)

Other Single Audit Developments - Reporting on Schedules under AU-C 805

Pandemic funding has significantly increased usage of AU-C 805, [Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement](#); for example:

- More program-specific audits being performed
- GAGAS financial audit option for for-profit PRF recipients
- Less of an issue for K12

Remember that the auditor is required to comply with all AU-C sections relevant to the audit

Access a related new GAQC article, [Governmental Audits of Single Financial Statements or Elements](#)

Other Single Audit Developments - Responding to Letters from Federal Agencies

Seen an increase in auditor receiving letters and other requests from federal agencies

- Letters from Education on the SFA program
- Letters from HHS regarding the PRF program

When requests involve access to audit documentation, refer to Interpretation No. 1, [Providing Access to or Copies of Audit Documentation to a Regulator](#) (AU-C sec. 9230 par. .01-.15),

Consult within firm/organization to determine protocols for such requests

If requests are received, remember to inform the school district. In general, permission for the review has already been granted in the engagement letter

Federal Audit Clearinghouse - Changes Coming!

The provider of the FAC will change from Census to GSA by October 1, 2023. Web address will be: <https://www.fac.gov/>

Single audits with a fiscal period ending in 2022 (or earlier) should be submitted to Census FAC (<https://facweb.census.gov/>)

- Any draft not fully submitted to the Census FAC by October 1, 2023, may need to be completely re-started at the new GSA FAC

Single audits with a fiscal period ending in 2023 will be submitted to the new GSA FAC beginning on October 1, 2023.

CS included a waiver for compliance with the 30 day requirement.

Pragmatic suggestion – do not submit all the school district reports 10/1/23

Auditors and auditees with earlier 2023 fiscal year end single audits should develop policies to ensure submission occurs once the new FAC opens

AICPA Audit Guide, Government Auditing Standards and Single Audits

Key resource for auditors; you should be using this Guide!

2023 update expected in eBook and paperback this summer

Key changes:

An appendix introducing SAS 145

Issuance of SAS 148

Updates to certain pandemic funding information



Order when published at:
<https://www.aicpa-cima.com/cpe-learning>

UG Proposed Revisions Coming

OMB is expected to issue a *Federal Register* notice proposing changes to the UG this summer

- Stated area of focus are changes that would reduce administrative burden, areas having inconstant interpretation, areas needing improved clarity, and consistency updates

All parts of the UG have the potential for change

In advance, OMB issued a Request for Information, asking respondents for recommended changes

- See [GAQC response](#)

OFFICE OF MANAGEMENT AND BUDGET

OMB Request for Information (RFI)

AGENCY: Office of Management and Budget (OMB), Executive Office of the President.

ACTION: Notice of request for information (RFI).

SUMMARY: The Office of Management and Budget (OMB) will be proposing revisions to title 2 of the Code of Federal Regulation (CFR), subtitle A, chapters I and II, in 2023. This RFI will support this effort by soliciting feedback from the general public on 2 CFR, which will be considered during the process of

Common Findings from Recent QCRs and Desk Reviews -

Major program determination

- Missing a required program = audit failure!
- KEY CONCERN FOR K12
 - HIGHER RISK pandemic funding
 - New programs “missed”
 - Return to testing traditional funding

Identification of compliance requirements D&M
to be tested and other compliance testing issues

Internal control

Sampling

Reporting

Other



What districts and auditors keep top of mind as it relates to their 2023 single audits?

Some (not all) ideas

- Major program selection is key
 - Testing “higher risk” type A programs
 - Other type A programs not tested in previous 2 years
- Audit program updates for the 2023 compliance supplement and school audit manual
- Testing internal control effectiveness is a requirement for each “pick 6” compliance category. Label and test controls
- Exceptions – are they findings? Are the questioned costs? Do other audit tests need to change? Impact on opinion?
- Does the audit report information match the DCF information and do the both match the audit documentation results?
- Is there a plan to get the DCF’s completed and issued after 10/1/23

F/S Audit Developments for Governments

Municipal Securities Issuers - Financial Data Transparency Act (FDTA)

Establishes data standards, defined as:

- Common identifiers
- Open and nonproprietary
- Render data searchable and machine-readable
- Incorporate standards developed and maintained by voluntary consensus standards bodies
- Consistent with applicable accounting and reporting principles

Governments, NFPs, and healthcare entities that have municipal securities that file financial information with the EMMA website will have to comply with the FDFTA provisions

- The SEC is charged with issuing the data standards for municipal securities issuers

Unclear the relationship of this Act and the GREAT Act which was issued to establish data standards and collect data from grant recipients

AICPA Updated and New Relevant TQAs

TQA Section 9165.01, *Auditor Reporting When The Entity Issues Its Annual Report Subsequent to Its Financial Statements* (**revised in May 2023** to include additional guidance)

TQA Section 9165.02, *Reissuance of the Auditor's Report on Financial Statements to Address Other Information Obtained After the Original Report Date* (**no change**)

TQA Section 9165.03, *Dating a Reissued Auditor's Report to Address Other Information Obtained After the Original Report Date* (**no change**)

TQA Section 9165.04, *Auditor Reporting When the Entity Issues an Annual Report and Separate Stand-alone Financial Statements on the Same Date* (**issued in May 2023**)



Access [AICPA TQAs](#)

GASB Standards Tracker

Fiscal years ending 12/31/2022

- GASB Statement No. 91, *Conduit Debt Obligations* (likely little impact on K12)

Fiscal years ending 6/30/2023

- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (generally, would be unusual for K12)
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangement* (see separate section)
- GASB Statement No. 99, *Omnibus 2022*, paragraphs 11-25 (paragraphs 26-32 were effective upon issuance) (see separate section)

GASB Standards Tracker

Reporting periods ending 7/31/2023

- GASB Statement No. 93, *Replacement of Interbank Offered Rates*, paragraph 11b (other paragraphs were effective for fiscal years ending 6/30/2022)

Reporting periods ending 6/30/2024

- GASB Statement No. 99, *Omnibus 2022*, paragraphs 4-10 (paragraphs 26-32 were effective upon issuance)
- GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62 (likely significant)*
- GASB Statement No. 101, *Compensated Absences (likely significant)*

GASB Upcoming Issuances

2023

- ED: Classifications of Nonfinancial Assets
- Final: Implementation Guidance-Update (important to review)
- Final: Risks and Uncertainties Disclosures

2024

- Final: Recognition (significant!)
- Final: Financial Reporting Model (significant)

2025

- ED: Revenue and Expense Recognition (significant)

2026

- ED: Going Concern Uncertainties and Severe Financial Stress (significant)

GASB 96 - SBITAs vs. Leases Scope and Timing

GASB Statement No. 87, <i>Leases</i>	GASB Statement No. 96 SBITAs
Establishes a single reporting model for lease accounting based on the foundational principle that leases are financings of the right to use an asset.	Establishes standards of accounting and financial reporting for SBITAs by a government end user.
Effective for annual reporting periods beginning after June 15, 2021, and interim periods beginning the year after. Apply retroactively to all periods presented.	Effective for periods beginning after June 15, 2022. Apply retroactively to all periods presented
GASB Statement No. 96 amends GASB Statement No. 87 to exclude SBITAs from the scope of the Lease standard. Tangible capital assets associated with a SBITA that were recognized under GASB Statement No. 87 will be restated when GASB Statement No. 96 is adopted.	

GASB 96 - SBITAs vs. Leases Definitions

Leases	SBITAs
<p>A contract (e.g., an agreement between two or more parties that creates enforceable rights and obligations) that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.</p>	<p>A contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.</p>
<p>In order to “convey control of the right to use of the underlying asset”, a contract should have both of the following:</p> <ul style="list-style-type: none">• The right to obtain the present service capacity from use of the underlying asset• The right to determine the nature and manner of use of the underlying asset	<p>In order to “convey control of the right to use of the underlying asset”, a contract should have both of the following:</p> <ul style="list-style-type: none">• The right to obtain the present service capacity from use of the underlying IT asset• The right to determine the nature and manner of use of the underlying IT asset

GASB 96 - SBITA Transition Considerations

Following are relevant dates for a calendar year-end:

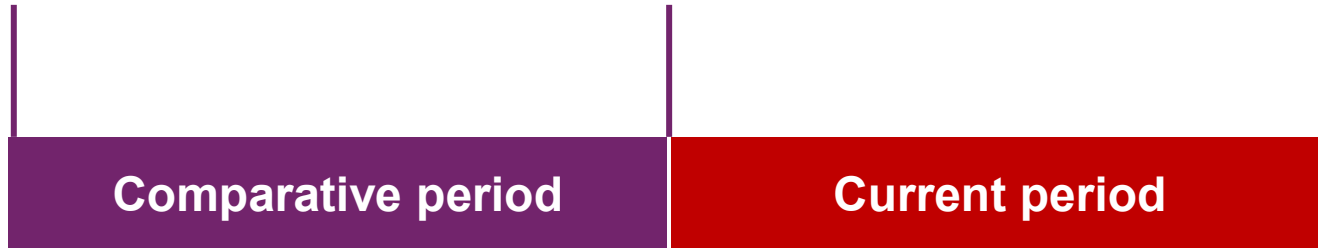
**Beginning of the earliest
period presented**

July 1, 2021

**Effective date
(date of adoption)**

July 1, 2022

June 30, 2023



Other considerations:

- Use facts and circumstances that existed at the beginning of the earliest period restated, **NOT** the commencement date of the SBITA.

GASB 96 - Relationship Between Leases and SBITAs

- All SBITAs meet definition of lease
- Accounting depends on what the underlying asset is:
 - Tangible capital assets alone – GASB Statement No. 87
 - IT software alone – GASB Statement No. 96
 - IT software in combination with tangible capital assets:
 - Software component is insignificant compared to cost of underlying tangible capital asset – GASB Statement No. 87
 - Otherwise – GASB Statement No. 96

GASB 96 – some practical questions for K12

Issues

Is it a right to use “asset” or a service?

- Right to use implies “use”. That is does the product just made available (ex text book) or does it provide the K12 other abilities (grading, tracking performance, etc)?
- Will require judgement

What is the actual period of the agreement? (s/t exclusion

Where can I find the agreement terms?

What are some examples of these types of agreements?

- ISD finance system provided to locals
- Ex: Zoom, Meal Magic, Teams, transportation software

I’m a “lessor”, do I care about this? (NOPE 😊)

Has anyone done this for me already?

Potential trends:

Will the ST exemption apply in many cases?

Will there be a lot more agreements to evaluate than leases?

Once agreements are located will decision process be similar to GASB 87, Leases?

What if I cannot locate all the needed information?

Will it be material when its all done?

Should I be done ready?

AICPA Audit and Accounting Guide, *State and Local Governments*

Key resource for auditors of SLGs;

New edition expected in late Summer
2023 (not timely enough for K12 audits!)

Key changes made:

- Introduces SAS No. 143 - 145
- Newly effective GASB standards



Order when published at:

<https://www.aicpa-cima.com/cpe-learning>

Reminder: AICPA SLG Guide Chapter on Leases and SBITAs

Includes accounting guidance for both lessees and lessors

Includes audit guidance primarily focused on lessees

Audit guidance for lessees can be adapted as appropriate for lessors



MDE topics

MDE A&A items

School Accounting Manual – key updates for SBITA accounting and reporting

A & A Alert

- Format revised to provide more links to authoritative content
- Audit filings due November 1, 2023
- Reminder display bonus and entitlement commodities on separate lines on SEFA
- Focus on Davis Bacon and extent of findings reported in 2022
- Food service
 - excess fund balance, **not** required to be reported as a finding, auditors requested to include a management letter comment
 - Paid lunch equity may not need to be computed, depending on fund balance size at 12.31.21

MDE A&A items

A & A Alert (cont)

- Food service
 - NSB, NSL, afterschool snack and special milk have been moved to NexSys
 - Administrative program reviews have started
- Title I - MDE rec'd USED Waiver #3 for ESEA 15 percent c/o once every three years limitation. Applicable to school year 2021-22, allowing full carryover to 2022-23 with waiver request to MDE.
- E-rate – Draft Compliance Supplement was including program as federal assistance for single audit. Find CS excludes E-rate for 1 more year. For 2023 E-rate **not subject to single audit**
- Listing of issues from audit reviews
- Reminders – Deficit Fund Balance, Early Warning, transfer limitations from GF, MOE calculations, communication requirements if certain actions are identified by the auditor

MDE A&A items

School Audit Manual

- NOT updated for 2023 Compliance Supplement
- Provides listing of programs funded under ESF
- DCF – does not need to be submitted with audit package, requests notification when filed
- Outlines responsibilities when suspected fraud or embezzlement is identified
- Sample sefa layout, with key highlights
- Program overviews for each of the key MDE pass thru programs. CNC section has several charts and tables that can be helpful in audit testing
- Reminder – Includes a pupil count confirmation request to be used to document scope of pupil count audit and verification of count.

MDE A&A items

Other Monitoring

- Uniform Budgeting & Accounting Act - MDE has zero tolerance for violations of the UB&AA. Any variance in total revenues, expenditures, or other financing sources/uses resulting in reduction in budgeted ending fund balance will generate follow up letter by Office of Financial Management.

GAQC and Other AICPA Resources

GAQC Web site (www.aicpa.org/GAQC)

Key areas to check out and/or bookmark:

- [Archived GAQC Alerts](#)
- [Archived GAQC Web events](#)
- [Illustrative Auditor's Reports](#)
- [GAQC COVID-19 Resources](#)
- [Single Audit Resources](#)



Other GAQC Resources

[Guidance on the Reporting of Certain COVID-19 Awards on an Accrual Basis SEFA](#)

[Illustrative Auditors Reports](#)

- Single Audit, Yellow Book, SLG, HUD

[Tips for Organizations Subject to Single Audit Requirements](#)



GAQC Resources for New/Less Experienced Auditors and Auditees

Auditees Tools

[Getting Ready for a Single Audit](#)

[FAQs for Organizations Needing a Single Audit](#)

[Importance of Selecting a Qualified Auditor](#)

[Tips for Organizations Subject to Single Audit Requirements.](#)

Archived GAQC Web event, [*Preparing for Your First Single Audit: An Auditee Perspective*](#))

Auditor Tools

A [checklist](#) for auditors getting ready for a single audit

A document titled, [FAQs for Auditors: Do you Understand Single Audit Rules?](#)

[Single Audit Tips for Auditors](#)

Archived GAQC [Single Audit Fundamentals Events](#) (no CPE)

Other AICPA resources

[COVID-19 Resource Center](#)

Includes [audit and accounting resources](#)

[Audit and Assurance Web page](#)

A&A Technical Hotline (877) 242-7212 -
techinquiry@aicpa.org

[Ethics Division Web Page](#) (includes
AICPA Code)

Ethics Hotline - ethics@aicpa.org or
888.777.7077

[Not-for-Profit Certificate Program](#) - On-
demand learning program

[Not-for-Profit Section](#) - For individuals
interested in NFP A&A

[EAQ](#) Web site

[Peer Review Web page](#)

Key Take Aways

Federal Grants still a big deal

- Funding cliff coming
- Unique audit risks related to end of period of performance
- Status of 2023 Compliance Supplement

GASB actions having significant impact

- Leases, SBITA, comp absences, new reporting model

Audit Standards

- Increased focus on risk assessment and audit evidence documentation

Understanding “relevance”

Questions and Discussion



Enjoy the day....
and learn something!

