Session objectives

- Information to help you plan your 2019 audits
- Briefing on the activities of standard-setting bodies and regulators
- Common quality issues and tips for avoiding them
- Increase awareness of the resources to help you maintain or improve your audit quality
- Update on MDE activities
### Terminology and abbreviations

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<th>Full Form</th>
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<td>American Institute of CPAs</td>
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<td>ASB</td>
<td>Auditing Standards Board</td>
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<td>ASU</td>
<td>Accounting Standards Update</td>
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<td>AU-C</td>
<td>Clarified Auditing Sections in the Codification of Statements on Auditing Standards</td>
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<td>AUP</td>
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<td>Code or ET section</td>
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<td>MTMI</td>
<td>More Than Minimal Influence</td>
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<td>OPEB</td>
<td>Other post employment benefits</td>
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<td>RMM</td>
<td>Risk of Material Misstatement</td>
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<td>State or Local Government</td>
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Effect of Current Environment on Governmental Audits

Current environment - setting the stage

F/S Audits

• Change is a constant!
• Implementation of new accounting standards
• Continued revenue pressures
• Emphasis on auditor risk assessment
• 2018 Yellow Book independence considerations
• Technology advances by clients (e.g., Blockchain)
• Cybersecurity risks and challenges
• Continued uncertainty at federal level (e.g., delegation of federal activities to state and local governments, funding cuts, etc.)
• School funding and the change in administration
• 1022 committee updates
• New State Superintendent
Current environment - setting the stage

Single Audits

• Significant changes to the 2019 *Compliance Supplement* expected
• Fewer federal resources and pressure to reduce regulation
• Government shutdown - some backlogs
• Federal QCRs have been on the rise and continued potential for future quality study
• AICPA EAQ initiative continues; increased peer review scrutiny
• President’s *Management Agenda* continues to impact policy; in particular the cross-agency priority goal on grants along with a related strategy document
• MDE oversight changes
Overview

AICPA

GAO

Single audits

Governmental F/S audit developments

GASB focus items

AICPA EAQ initiative

Collect data

Analyze data

Take action

Detect trends

aicpa.org/EAQ
AICPA - EAQ - 2019 areas of focus

- Risk assessment
- Documentation
- Auditing estimates (including fair value)
- Internal control
- SOC Reports (including cyber and vendor supply chain)

Continuing from 2018

AICPA - EAQ - risk assessment

Non-conformity persists

How is “non-conforming engagement” defined?

- An engagement where the auditor did not obtain sufficient appropriate audit evidence to support the opinion

Peer review impact:

- Matter for Further Consideration
- Possible “pass with deficiencies” or “fail” report
AICPA - EAQ - risk assessment is fundamental

Audit

- Identifying risk
- Assessing risk
- Responding to risk

AICPA - EAQ - audit risk model

RMM

- Audit risk
- Inherent risk
- Control risk
- Detection risk
To assess and respond to RMM, auditor should:

- Understand the nature of the client's inherent risks
- Understand the client and their environment

Same logic applies to internal control

Public education risks

- Many are in common across industry
- Several are client specific
- Key question – where are the key risks on this audit?

Provide a basis for response

- Nature
- Timing
- Extent

Linked at the assertion (not account) level

Assess risk at:

- Relevant assertion level
- Financial statement level (affecting many assertions)
Performing substantive procedures without linking them to your risk assessment is like throwing darts while blindfolded.

Many auditors document risk assessments but perform audits with little regard to that assessment.

No two audits are exactly the same.

Caution against improper use of third-party practice aids.

Key point: If practice aids are not tailored to address significant risks, probably not complying with AU-C section 330, *Performing Audit Procedures in Response to Assessed Risks and Evaluating the Audit Evidence Obtained*.
Inherent risk cannot be reduced based on competency of accounting staff.

Auditor must document basis of risk assessment set at any level (paragraph 33 of AU-C section 315, *Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement*).

If control risk is less than maximum, must test controls.

**Key Take Away:**
- School Audits are “similar” but should not be “cookie cutter.”
- How has the audit plan been adapted to specific risks at this District?

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**AICPA - Peer Review - governmental checklists**

Access the latest versions of AICPA peer review checklists at:

Among the checklists of interest to governmental auditors:
- Governmental Audit Engagement Checklists
- Single Audit (Parts A and B)
- Yellow Book

PPC and other providers offer similar tools. **Note:** Firms should use these checklists as part of quality control!
AICPA Professional Ethics - latest independence developments

Interpretations issued
- Hosting (ET 1.295)
- Leases (ET 1.260.040)
- Client affiliates (ET 1.224.010)
- Disclosing information in connection with quality review (ET 1.700.001)

Exposure drafts
- SLG affiliates (see next slides)
- Staff augmentation

FAQs issued
- Long association
- Hosting services - pages 21-23 of the FAQ

AICPA - Professional Ethics - SLG Affiliates (ET. 1.224.020)

Interpretation, State and Local Government Client Affiliates to replace, Entities included in State and Local Government Financial Statements

Key impact - More evaluation:
- Certain material funds and component units when making reference to another auditor’s report
- Material excluded entities
- Investments
- Upstream entity considerations

Generally this issues do not have direct application to most K12’s
Could have more direct impact on Charter Schools
AICPA - Professional Ethics - ET. 1.224.020, as proposed

**Affiliates**

1. Entity **included** in client's f/s and **no reference** to another auditor's report

**Stars:**

2. Entity **included** in the client's f/s; **making reference** material to the client; **and** client has MTMI over

3. Entity **not included** in the client's f/s; **material** to the client; **and** the client has MTMI over

4. **Investment** that the client can **control** or has **significance influence** over **and is material**

Upstream entities may use conceptual framework

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AICPA - ASB - auditor reporting - AU-C section 700 series

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

Issued April 2019

Effective for audits of financial statements for periods ending on or after December 15, 2020. Early implementation is not permitted.

Changes the form and content for all auditor's reports issued for audits of non-issuers

Key K12 impact: auditor reports will be different in 2021
Opinion section presented first, followed by "Basis for Opinion"

"Basis for Opinion" section includes a statement that the auditor is required to be independent of the entity and to meet the auditor's other ethical responsibilities, in accordance with the relevant ethical requirements relating to the audit.

Key Audit Matters section
- **Optional:** only include if engaged to include (terms of engagement state report will include KAMs)
- If included, requirements apply
- "What keeps the auditor up at night"
- Selected from matters communicated with TCWG

Joint effort of the AICPA State and Local Government Expert Panel and the Government Finance Officers Association

Access **Contact Issues for Governmental Audits**

Discusses problematic clauses in contracts and engagement letters that may cause independence concerns such as:
- Indemnification
- Intellectual Property & Ownership of Records
- Approvals of Work Products or Staffing
- Warranties
- Insurance

Also includes recommendations for governments and encourages collaboration.
AICPA Audit Guide, *Government Auditing Standards and Single Audits*

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

2019 update in eBook and paperback by end of June

Key changes:
- Updates to areas needing additional emphasis or explanation to help clarify the Uniform Guidance audit requirements
- Slight changes to certain auditor reports, primarily explanatory footnote additions
- DOES NOT HAVE IMPLICATIONS OF 2019 COMPLIANCE SUPPLEMENT!
- AICPA will provide an alert on implications of Compliance Supplement changes once issued.

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**GAO - 2018 Yellow Book**

Access 2018 Yellow Book at gao.gov

Read April 2019 Journal of Accountancy article titled, *Yellow Book Revisions Update Independence Guidance*

Key thoughts for K12:
- effective for June 2020 year end
- For independence/conflict of interest matters to be able to comply by July 1, 2019
For financial audits, attestation engagements, and reviews of financial statements for periods ending on or after June 30, 2020

For performance audits beginning on or after July 1, 2019

2018 YB supersedes:
- 2011 YB
- 2005 GAO CPE guidance
- 2014 GAO peer review ratings guidance

Early implementation is not permitted!

Summary of key change areas from 2011 YB

New format and organization

**Independence requirements related to nonaudit services**

CPE

Peer review requirements

Finding guidance

Waste and abuse

Standards for reviews of financial statements

Performance audits

Other

GAO YB Technical Assistance Hotline: Call (202) 512-9535; yellowbook@gao.gov.
GAO - 2018 Yellow Book - overview of key independence changes

Structure

Nonaudit services (most significant changes in preparation of accounting records and F/S and SKE clarifications)

Clarification of entity(ies) requiring independence - "responsible party"

Requirement to re-evaluate threats

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GAO - 2018 YB - Applying the conceptual framework

1. Meet the general requirements
2. Determine nonaudit services are not otherwise prohibited
3. Identify threats to auditor's independence
4. Evaluate the significance of threats
5. Identify and apply safeguards
Management not required to possess expertise needed to perform or re-perform the nonaudit services

Indicators of management’s ability to effectively oversee the nonaudit service include management’s ability to:

determine the reasonableness of the results of the nonaudit service provided

recognize a material error, omission, or misstatement in the results of the nonaudit services provided

YB 3.73: Auditors should determine that the audited entity has designated an individual who possesses suitable SKE and who understands the nonaudit services to be provided sufficiently to oversee them.

Nonaudit Service Evaluation

Is the nonaudit service preparing the F/S (in their entirety) from a client provided trial balance or underlying accounting records?  
Is the threat significant?  
Evaluate threat for significance  
Document evaluation and proceed

Identify and apply safeguards
Assess effectiveness of safeguards(s)  
Is threat eliminated or reduced to an acceptable level?  
Proceed

Document nature of threat and any safeguards applied

2018 YB Figure 2 - Revised evaluation of nonaudit services related to preparing accounting records and F/S
2018 Yellow Book - independence considerations for preparing accounting records and F/S - 3 buckets

1. Independence impaired!
   - Determining or changing accounting records
   - Authorizing or approving the entity's transactions; and
   - Preparing or making changes to source documents without management approval

2. Significant threats
   Preparing F/S in their entirety

3. Create threats - evaluate and document
   Other nonaudit services described in YB 3.89 related to preparing accounting records and F/S (see next slide)

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2018 Yellow Book - required documentation - preparing accounting records and F/S

Any other nonaudit services related to preparing accounting records and F/S create a threat whose evaluation for significance should be documented

- Recording transactions for which management has determined or approved the appropriate account classification, or posting coded transactions to an audited entity's general ledger;
- Preparing certain line items or sections of the F/S based on information in the trial balance
- Posting entries that an audited entity's management has approved to the entity's trial balance; and
- Preparing account reconciliations that identify reconciling items for the audited entity management's evaluation

See 2018 YB paragraph 3.89
GAO - 2018 YB tips and resources

**Action Items:**

- Ensure all governmental (K12) audit staff receive 2018 Yellow Book specific training
- Review your nonaudit services and identify potential issues with upcoming engagements
- Update/review Practice Aids to address GAO requirements

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Single Audits - Key areas needing attention in planning and performing 2019 audits

**2019 Compliance Supplement**

- Timing uncertain (maybe June!)
- One document this year
- New 6-requirement mandate and programmatic changes
- Revamped Part 6, *Internal Control*, is likely
- OMB issued draft matrix to assist auditors in planning

New DCF and FAC system updates

Areas susceptible to quality issues
6-requirement mandate

- Agencies required to limit compliance requirements to be tested to 6
- Review of Supplement Part 2 matrix will be critical
- Some requirements that previously have been direct and material could be eliminated
- Reduction of audit burden not automatic
- Likely auditor reports will be “tweaked” to clarify this change

Matrix of Compliance Requirements (Part 2) – This section associates programs with the applicable compliance requirements

Compliance Requirements (Part 3) – This section lists and describes the 12 types of compliance requirements and related audit objectives (except Special Tests and Provisions)

Key Question for 2019 – for each grant or cluster what will be required to test to meet the 6* compliance requirements “requirement”.

*kind of, sort of . . .
Single Audit - Changes to the 2019 Compliance Supplement

- “Pick Six (or Seven!)”
- Activities Allowed and Allowable Costs are considered to be one combined requirement (since they are not easily separated), so agencies really have the option to require testing of seven categories if Activities Allowed/Allowable Costs is one of them (i.e. – these combined would be “one” and there could be either four or five additional requirements)

- Federal agencies have discretion as to which Compliance requirements to test – could change/rotate each year

- MDE School Audit Manual is issued, and does not reflect these changes

- Preliminarily, MDE intent is to direct Auditors and Districts to the 2019 supplement to apply the new criteria

- Note – Districts are still required to comply with all applicable requirements

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Single Audit - 2019 Compliance Supplement Matrix

Summary of Compliance Requirements - Standard K12 Programs

<table>
<thead>
<tr>
<th>Program/Cluster/Number/Name</th>
<th>Activities Allowed or Unallowed</th>
<th>Allowable Costs/Principles</th>
<th>Eligibility</th>
<th>Cash Management</th>
<th>Equipment/Real Property</th>
<th>earmarking, Matching, Level of Effort</th>
<th>Procurement/Suspension &amp; Debarrment</th>
<th>Period of Performance Reporting</th>
<th>Program Income Reporting</th>
<th>Subrecipient Monitoring</th>
<th>Special Tests</th>
<th>Total</th>
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</thead>
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<tr>
<td>10.353/10.355/10.356/10.359 CNC Cluster</td>
<td>Y</td>
<td>Y</td>
<td>Y</td>
<td>N</td>
<td>N</td>
<td>Y</td>
<td>Y</td>
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<td>Y</td>
<td>5</td>
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<td>84.010 Title IA</td>
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<td>Y</td>
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<td>N</td>
<td>Y</td>
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<td>6</td>
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<td>84.367 Title II</td>
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<td>N</td>
<td>N</td>
<td>Y</td>
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Key Take Aways:
- We are picking disbursement/payroll samples
- We are not testing reporting
- Except for CNC not testing cash management
- Generally special tests and subrecipient monitoring are "in"
Programmatic changes

- Every program section in Parts 4 and 5 of the Supplement revised to remove deleted compliance requirements due to 6-requirement mandate
- Additionally, numerous programs will have more significant changes than usual
- Examples of programs with significant change:
  - USDA
  - SFA
  - EPA drinking water and clean water revolving loan programs

This compliance area confusing as it relates to micropurchase threshold and simplified acquisition threshold

- Memo allowed for change in thresholds, FAR yet to be updated
- Timing of implementing higher thresholds
- Whether federal agency approval was needed?
- Presumption is if entity changed thresholds auditor does not need to evaluate

OMB Memorandum M18-18

OMB/Compliance Supplement will likely state "findings" in this area are not required to be reported
GAQC has been working with OMB and the agencies to enhance Part 6 of the OMB Compliance Supplement

Objective is to align Part 6 more with how auditors consider I/C and provide more illustrative controls

OMB likely including an Updated Part 6 in the 2019 Compliance Supplement

2 CFR section 200.303 Requirements for I/C for nonfederal entities

2 CFR section 200.514 requirements for I/C for auditors

What to expect for new Part 6

Summary of requirements for internal control under the UG

Background discussion on important internal control concepts

Appendices that include illustrations of:

- entity-wide internal controls over federal awards
- internal controls specific to each type of compliance requirement
Appendix 1 - illustrative entity-wide controls over compliance for the following components of I/C: control environment, risk assessment, information and communication, and monitoring

• For this purpose, entity-wide controls are considered governance controls that apply to most, if not all, types of compliance requirements for one or more Federal programs

Appendix 2 provides illustrative specific controls for control activities, the remaining component of I/C

• For this purpose, specific controls are considered operational-level controls that apply to individual types of compliance requirements

• What does this mean for us?

  • Programs included in Part 4 of the supplement
    • Will need to revise audit programs/approach
    • Will need to document how 2019 supplement was built into audit plan, including audit risk assessments
    • Only test the compliance requirements as outlined within the compliance supplement!
    • Will need to document how addressed new Part 6 for controls documentation and testing
    • If subrecipient monitoring is “N” per the supplement but your client passes through significant funds, need to determine what to test.
      • Essentially some of subrecipient monitoring will be “addressed” in allowable costs/types of services allowed

  • Programs not included in Part 4 the supplement (will be rare for K12 programs)
    • Auditor will review the grant award and contract to determine which compliance requirements are direct and material to the program (“Pick six” mandate does not apply)
Single Audit - DCF/FAC developments

New DCF live May 31, 2019
Effective for use for single audits with fiscal periods ending in 2019, 2020, 2021
Main changes are as follows:

• The audit finding information currently required to be included in the DCF by auditors would be expanded to include the actual text of the audit finding
• Auditees would be required to:
  o include the text of their corrective action plans
  o include the text of the notes to the schedule of expenditures of federal awards
• Ability to input sefa and notes in DCF and then download them (may not be practical, since MDE SEFA more detailed than required for DCF)
• More representations by auditee and auditor in certification section
• READ INSTRUCTIONS CAREFULLY!
Key Question – how best to prepare DCF to reduce errors/mistakes/omissions?

Single Audit - audit quality - assessments over time

2005 and earlier historical estimates
• All desk reviews and QCRs
2007 Federal National Single Audit Project
2017 AICPA single audit oversight reviews (part of EAQ project)
Currently
• Recent uptick in federal QCRs
• Continued focus of peer review
Upcoming federal quality study?
Single Audit - audit quality - peer review and federal QCR findings on I/C

Key issue – firms still not clearly documenting understanding of internal control and extent of testing to assess effectiveness

- **Understanding** Level
- **Planned Testing** Controls vs. processes Automated systems
- **Testing** Controls vs. compliance Insufficient evidence of testing controls over D&M requirements

Documentation problems woven throughout all areas

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Single Audit - I/C Tips - follow this recipe!

1. **Step 1** Identify the control objective(s)
2. **Step 2** Understand the auditee's “business process of complying”
3. **Step 3** Evaluate the risks ..“the what could go wrongs”
4. **Step 4** Understand controls over “the what could go wrongs”
5. **Step 5** Evaluate whether controls are designed effectively and have been placed into operation
6. **Step 6** If controls are designed effectively and placed into operation, test key controls for operating effectiveness
7. **Step 7** Document entire sequence!
Single Audit - I/C tips

Understand the difference between testing controls and testing compliance

Understand a process versus a control

Testing compliance gives indirect evidence on controls, but cannot serve as the basis for assessing controls as operating effectively

2-step testing process (designed/placed into operation and operating effectively)

Important to identify and document the key controls to be tested

Remember to consider IT controls

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Single Audit - I/C tips

Make sure auditor reporting appropriately identifies I/C findings

Do not report SDs or MWs in the management letter in lieu of putting them in your audit report

Do not ignore reporting I/C findings that were "corrected" later in the year of audit

Include all required finding elements in your I/C findings

Be sure the summary of auditor's results in the Schedule of Findings and Questioned Costs and information in the Data Collection Form align with audit documentation and audit reports
Single Audit - audit quality - other peer review and federal observations

Percentage of coverage (2 CFR 200.518(f))
- Auditee risk errors (2 CFR 200.520)
- Mathematical errors

Missed Major Programs
- Documentation of risk analysis (2 CFR 200.518(g))
- Threshold errors (2 CFR 200.518(b))
- Type A programs (2 CFR 200.518(a and b), 2 CFR 200.519(c))
- Type B programs (2 CFR 200.518(d), 2 CFR 200.519)

Clusters
- Missed identification of clusters
- Creating own clusters (or combining programs for testing that are not clusters)

Tip: Check out the AICPA GAS-SA Guide, chapter 8, Determination of Major Programs, for guidance on major program determination!

Single Audit - audit quality - peer review and other federal observations

Independence issues
CPE deficiencies
Management representation issues
Peer review issues
Sampling issues
Development of audit findings
Reporting issues
Single Audit - audit quality - other peer review and federal observations

Documentation

- No support for not testing requirements in Supplement Part 2 matrix identified with a “Y”
- Fraud considerations
- Response to identified risk
- Communications with those charged with governance
- Supervisory review
- Actual audit steps
- Support outside of the official audit files

Single Audit - audit quality - internal inspection tips

Select adequate cross-section of governmental audits for internal inspection

Staff inspection teams carefully, build in objectivity

Utilize appropriate peer review checklists

Search for root cause for any issues identified challenge strength of client acceptance and continuance criteria

Learn from internal inspections

Keep policies up to date with client base, personnel competencies
GASB standards tracker

6/30/2019
- GASB 83: Certain Asset Retirement Obligations
- GASB 88: Certain Disclosures Related to Debt, including Direct Borrowings & Direct Placements
- Implementation Guide 2018-1

12/31/2019
- GASB 84: Fiduciary Activities (IG to be released)
- GASB 90: Majority Equity Interests

12/31/2020
- GASB 87: Leases
- GASB 89: Accounting for Interest Cost Incurred before the end of a Construction Period

Watch for GASB IG Updates
SLG F/S audit developments - 2019 areas of focus

Fiduciary activities
Importance of actuaries/specialists
Preparing for implementation of leases standard
Debt disclosures updated in 2019

GASB 84, *Fiduciary Activities*

Establishes criteria for identifying fiduciary activities and guidance on reporting those activities
Clarifies that stand-alone business-type activities should report fiduciary activities
Requires flows statements for all types of fiduciary funds

Key impacts for K12 – Private Purpose Trusts and Student Activities
Path of fiduciary activities

Fiduciary activities

Fiduciary component units

Pension and OPEB arrangements

Other arrangements

Pension and OPEB arrangements that are NOT component units

Other fiduciary activities

For K12 our issues are here!

Fiduciary funds - four types

Pension and other employee benefit trust funds

Investment trust funds

Private-purpose trust funds

Custodial funds

For K12, our issues are here!
Fiduciary activities – What counts?

Must meet all the following criteria:

<table>
<thead>
<tr>
<th></th>
<th>PLUS any of the following:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets controlled by School District</td>
<td>Assets held in a qualifying trust in which School District is not beneficiary, legally protected, and dedicated to providing benefits to recipients</td>
</tr>
<tr>
<td>Assets not derived from own source revenues</td>
<td>Assets held for the benefit of individuals without the School District having administrative or direct financial involvement</td>
</tr>
<tr>
<td>Assets not derived from government-mandated or voluntary nonexchange transactions</td>
<td>Assets held for the benefit of outside organizations not part of the School Districts reporting entity</td>
</tr>
</tbody>
</table>

GASB 84 - Overview

- Effective for reporting periods beginning after 12/15/2018 (6/30/2020 for Districts)
- Established criteria for identifying what is considered a fiduciary activity and guidance on reporting fiduciary activities
- Key factor in criteria is “administrative involvement”
  - If district is “calling the shots”, likely not a fiduciary activity – Judgement required
- Any activities that no longer meet the definition of a fiduciary activity will now be reported in the governmental funds (or removed from statements)
- MDE 1022 Committee issued guidance in its 2019 update

- What does this mean?
  - Fiduciary section will change in June 30, 2020 financial statements
  - If governmental funds, then likely special revenue (fund 29), “establish” 7.1.19
  - Private Purpose Trust Funds not in a trust, likely no longer reported as such (likely will be custodial or special revenue)
  - Can student activities still be “custodial”? Yes, need to apply the criteria.
  - Can activities operate as in the past if in special revenue, likely yes – Sec 1814(5) of School Code
  - If impact significant, reference in discussion of new accounting pronouncement in 2019 statements
GASB 87 - Implementing leases standard - START EARLY!

- Start reviewing existing leases as soon as possible
- Implement IC to identify leases & lease modifications
- Update accounting systems for new information needs
- Consider impact on capitalization policy
- Consider impact on reporting lease liabilities on:
  - Debt limitations
  - Bond covenants
  - Grant agreements

GASB 88 - Overview

- Effective June 30, 2019 (NOW)
- Disclosure impact only!
- Footnotes must label all debt as either "direct borrowing" or "other"
- New disclosure requirements include:
  - Amount of unused line of credit
  - Assets pledged as collateral
  - Debt agreement terms of default/termination events
  - Acceleration clauses
- Impact:
  - All debt footnotes will need to be updated, especially for qualified bonds
  - Update impacts state aid anticipation notes (and other short term borrowings) as well as long term debt
  - Need to re-read debt agreements to characterize borrowings correctly

plante moran | Audit, Tax, Consulting | Wealth Management.
GASB 68/75 (Pension/OPEB)

- **Major focus items**
  - MI Schools – cost sharing multiemployer plans
  - ORS web site – OAG report/data likely available late July (like last year)
  - Year 2 - Net OPEB liability recorded in Statement of Net Position (approx. 1/3 the size of the pension liability)
  - Remember to adjust disclosure wording since its second year
  - Review note disclosure – what elements should be updated?
  - Identification of statutory required contribution
  - Remember certain (NOT ALL) Sec147 amounts are considered as part of the contribution
  - Net Pension/OPEB liability
  - Revisit/update audit tests to address any changes
  - Deferred outflows for contributions subsequent to 9.30.17 valued correctly?
  - Deferred inflows for 147c1 revenues received related to OPEB valued correctly?

Pension/OPEB Issues Short List

Is information obtained, tested, and reported correctly?

- Statutory Required Contribution
- Proportionate share of net Pension/OPEB liability
- Deferred Inflows
- Deferred Outflows
- Contributions after the measurement date
- Governmentwide pension expense and allocation
- Reconciliation between funds and governmentwide
- Impact on Enterprise Funds
- Impact on Net Position
- Census date
- Allocation of contributions between (for 9.30.18 and 6.30.19)
  - Pension
  - OPEB
  - Defined contribution retirement
  - Defined contribution health care
AICPA Audit and Accounting Guide, State and Local Governments

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

New edition available in June 2019

Key changes made:

• Effect of newly effective GASB standards, including dual guidance for GASB 84, Fiduciary Activities
MDE Matters – Brief Update

• 2019 School Audit Manual
  • Updates for program requirements
  • 2019 compliance Supplement changes not included

• 2019 Audit Alert
  • Yellow Book Update
  • 2019 CS
  • Adopting Procurement
  • Uniform Budgeting and Accounting Act
  • Fraud Reporting
  • Food Service bad debts, indirect costs
  • Deficits and early warning indicators

MDE Matters – Brief Update

• Bulletin 1022 updates
  • Change Notice #29 Manual Updates dated 03/19 (GASB 84)
  • Change Notice #28 Manual Updates dated 01/19

• Staffing changes
  • Role changes for current staff
  • New staff
    • Caitlin Hengesbach, Audit Manager
    • Rebecca Dean, Auditor
MDE Matters – A Few Grants Management Issues

Special Ed Cluster
• Excess cost requirement – still not required to be tested
• MOE & Proportionate Share – compliance is demonstrated as being met by the ISD, in the aggregate for all LEAs in their jurisdiction
• Districts will be providing data via Catamaran

Child Nutrition Cluster
• Paid Lunch Equity requirement suspended for 1 year
• Reminder re. equipment purchase approvals
  ▪ This is an allowability issue vs an equipment/real property management issue

Thank You!
Have a great school audit season . . .
The best time of the year!