



# Central Ohio AGA

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**September 12, 2011**  
**Ken Richards, CPA**



# Big Picture

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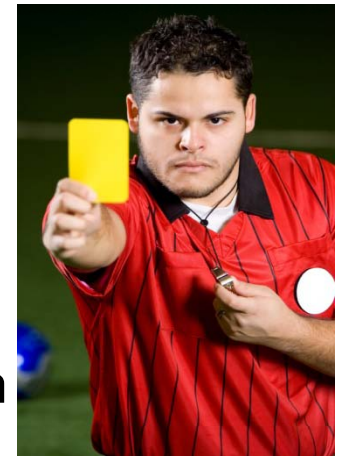
- 2011 Internet Version of the Yellow Book
- A-133 Update
- GAGAS & A-133 Audit Risk Alert

# Government Auditing Standards – 2011 Internet Version (Interim Revision)

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# Interim Revision??

The GAO states on its Web site that the 2011 interim revision is the **intended content** for the final 2011 revision of the standards. However, because of the linkage between the AICPA's auditing standards and *Government Auditing Standards*, the GAO is issuing the new standards in an interim "Internet" format until such time that the AICPA Auditing Standards Board (ASB) completes its clarity revisions to the AICPA's auditing standards. GAO is monitoring the ASB's progress on the clarity project and once it is complete, the GAO will formally issue the final 2011 revision. It is expected that the final issuance will occur before the end of this calendar year.



Source: GAQC Alert #173



# What Will We Cover?

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- **Why the Yellow Book (Government Auditing Standards) is being revised**
- **Anticipated timeline for the Yellow Book**
- **We will discuss the overall changes but focus our attention on Chapters 1 – 4 since these relate to financial statement audits.**



# Why the Revision

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- Modernization and harmonization of auditing standards
- To address practice issues
- ASB Clarity Project

*J.A. – December 2010 by James Dalkin, CPA*



# Issue Date

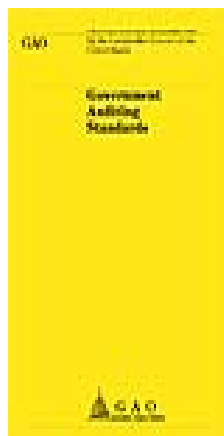
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- Internet Version – Issued 8/19/11
  - <http://www.gao.gov/govaud/iv2011gagas.pdf>
- Formal Issuance – Later this Year
  - After AICPA completes clarity revisions
- 2 different effective dates
  - Periods ending on or after 12/15/11
  - Periods ending on or after 12/15/12

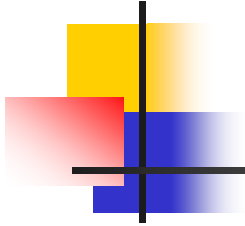
# Big Picture

## 2007 versus 2011

- 1-Use & Application
- 2-Ethical Principles
- 3-General Standards
- 4-Fieldwork Standards
- 5-Reporting Standards
- 6-Attestation Engagements
- 7&8-Performance Audits



- 1-Foundation & Ethical Principles
- 2-Standards for Use and Application
- 3-General Standards
- 4-Standards for Financial Audits
- 5-Attestation Engagements
- 6&7-Performance Audits



# CHANGES BY CHAPTER



# Consolidation of 1 and 2

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- Introduction
- Foundation
- Ethical Principles

**Foundation and  
Ethical Principles**



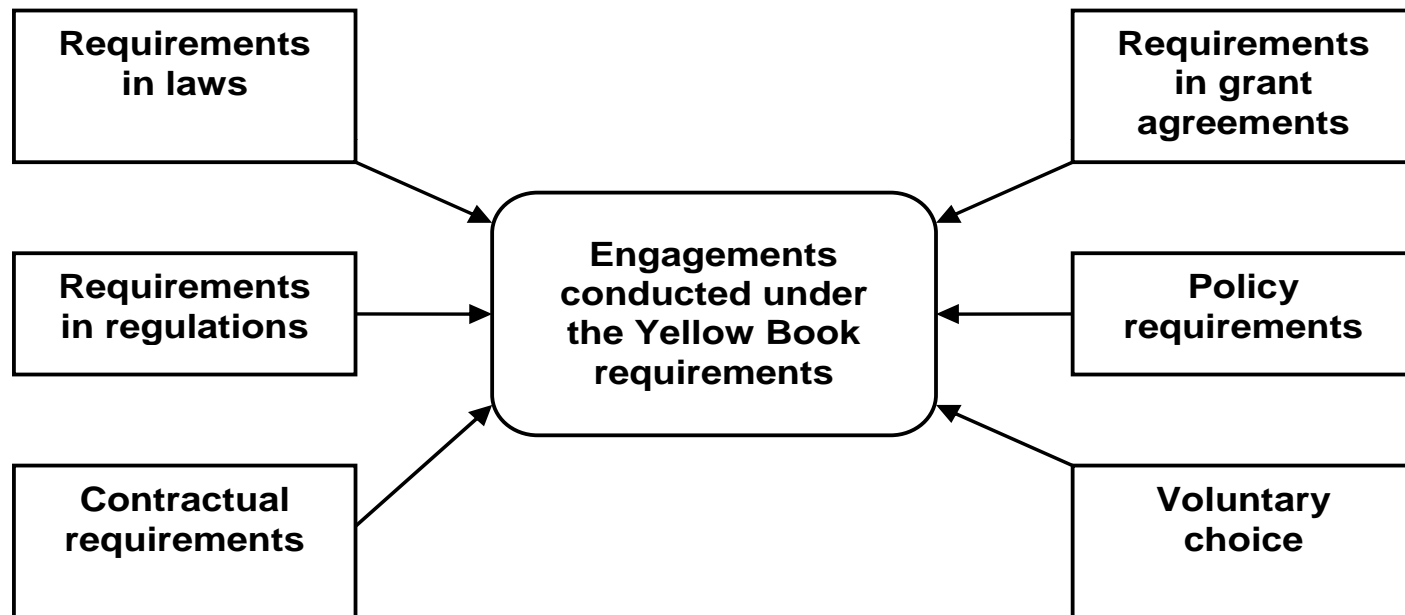
# Clarified or added definitions

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- Auditor (1.07)
- Audit Organizations
- Internal vs. External  
(1.08 & 1.09)

# Added Guidance - Is GAGAS Applicable?

## Why Are Yellow Book Engagements Performed?



# Chapter 2 – Standards for Use and Application

- Types of Audits and Attestation Engagements
- Use of Terminology (SAS 102)
- Relationship between GAGAS and Other Standards
- Stating Compliance with GAGAS in the Auditors' Report

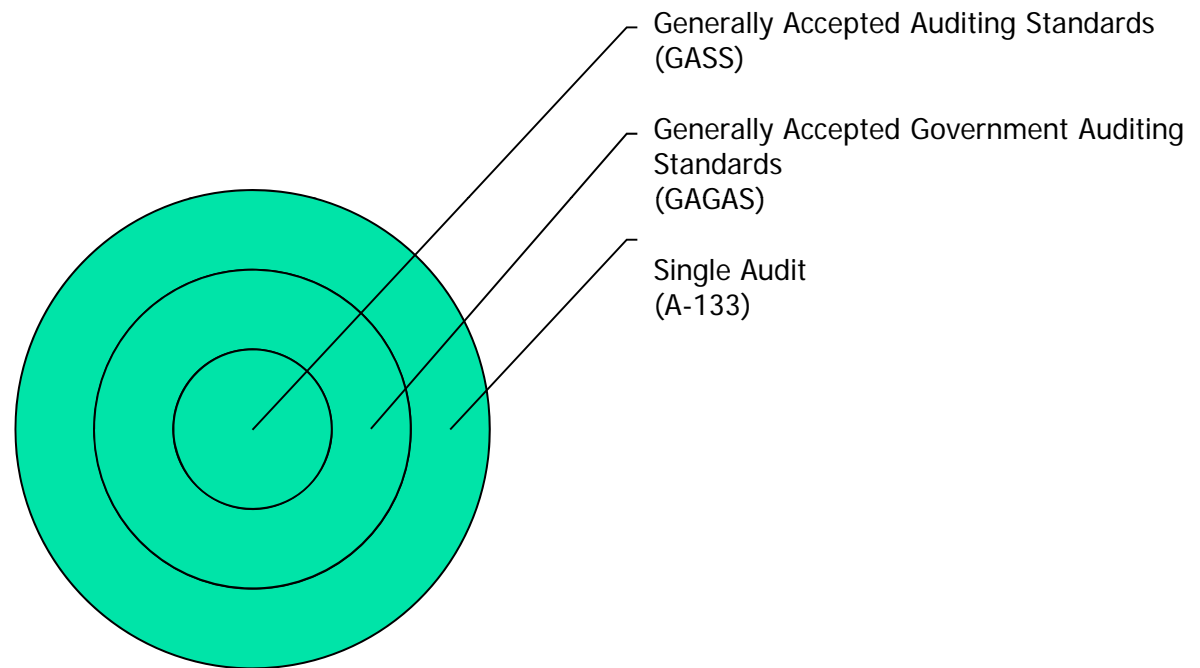


## 2 – Types of Engagements

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- Financial audits – Chapters 1 – 4
- Attestation engagements - 1-3 & 5
- Performance audits – 1-3 & 6&7

# Quick Review - Relationship Among Standards



# 2 – Compliance with GAGAS

*(2.23– 2.25)*

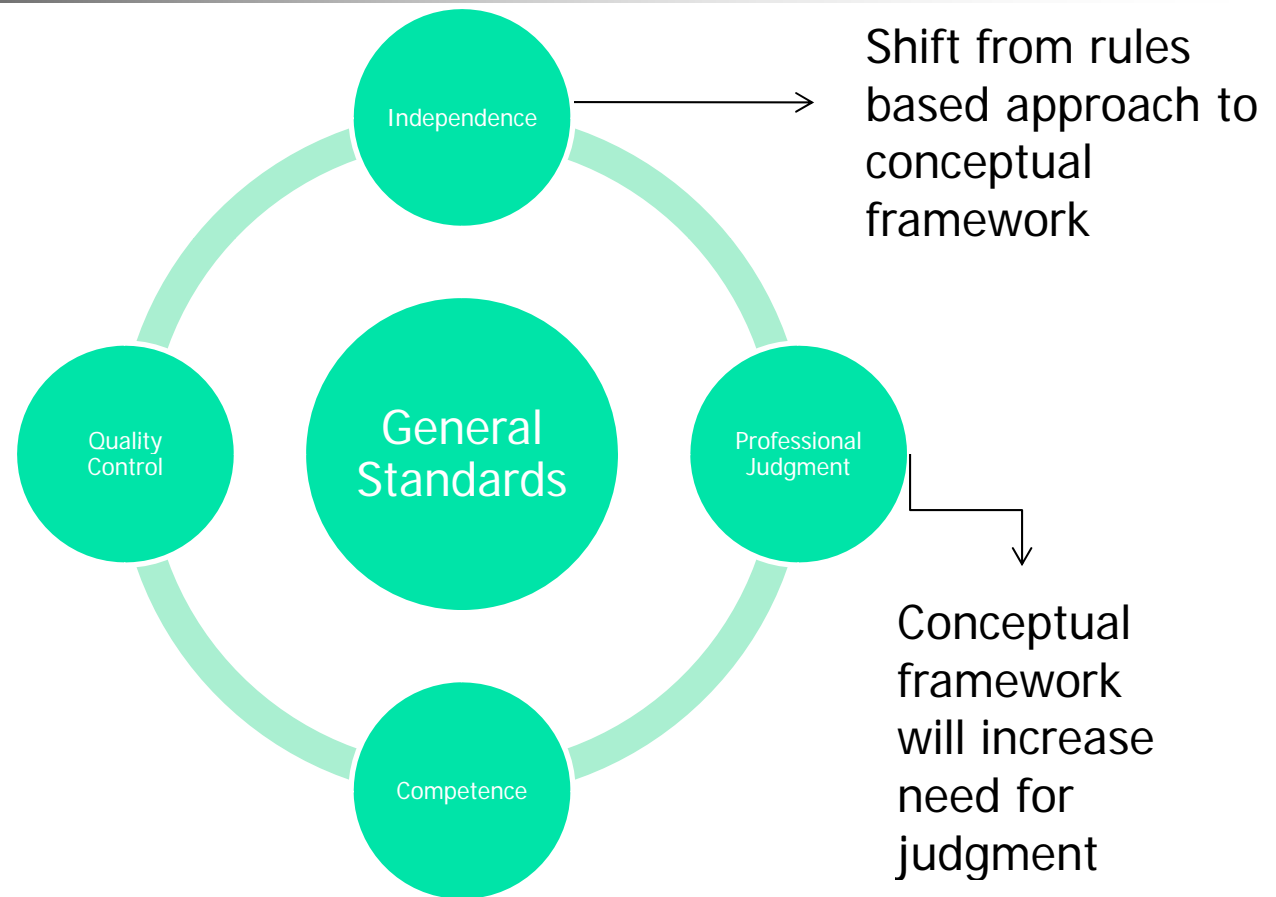


Unmodified



Modified

# 3 – General Standards





# Period of Independence (3.05)

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- Auditors should be independent during:
  - Period covered by the financial statements or subject matter of the audit, and
  - The period of the professional engagement

*The period lasts for the entire duration of the professional relationship (which, for recurring audits, could cover many periods) and ends with the formal or informal notification, either by the auditors or the audited entity, of the termination of the professional relationship or by the issuance of a report, whichever is later.*



# Conceptual Framework

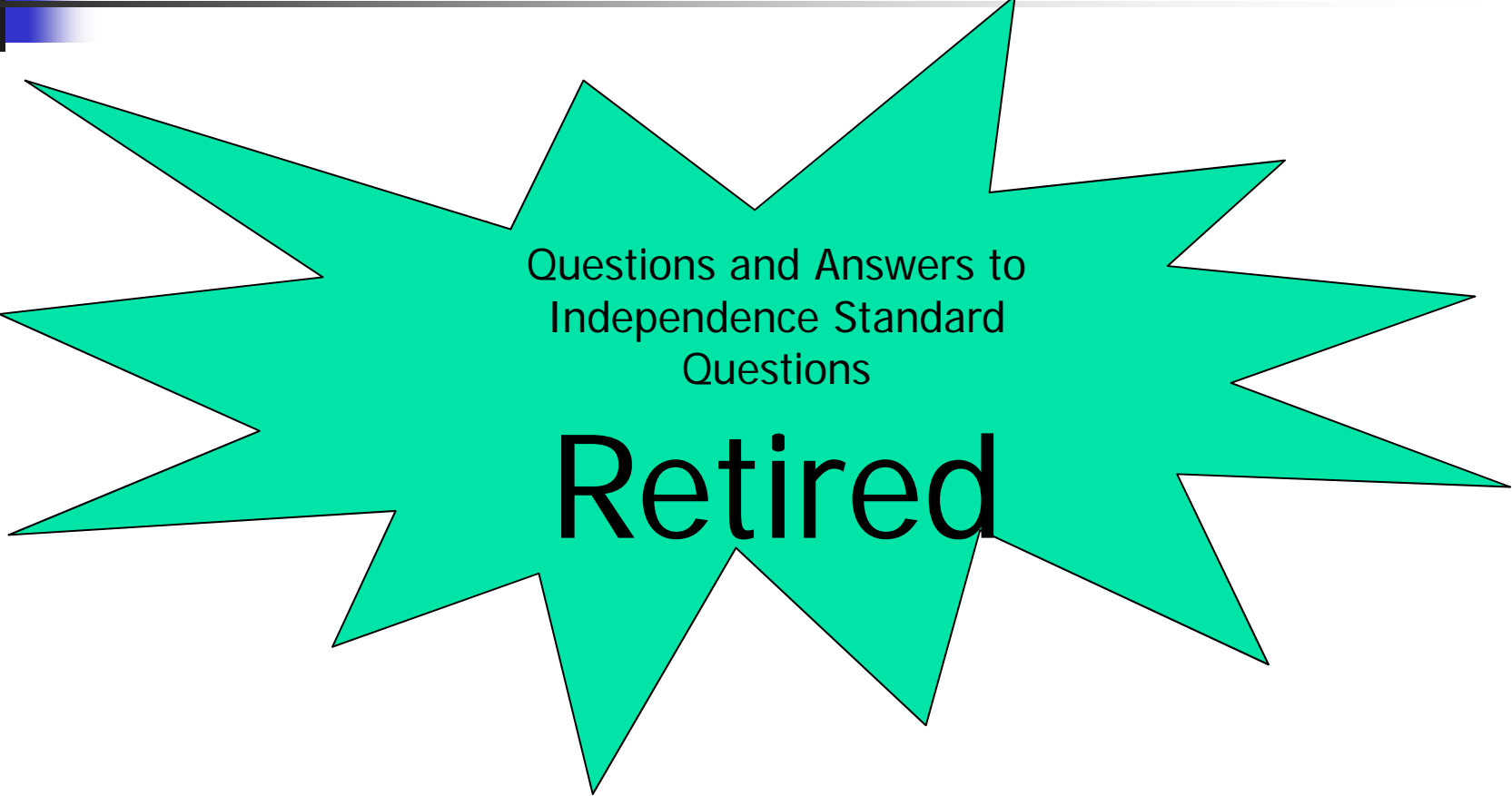
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- Auditors should assess\identify threats to independence (3.20)
- Auditors should determine whether threats are reduced to an acceptable level or eliminated (3.21)
- Apply safeguards, if necessary, to reduce threat to acceptable level (3.22)



# Primary Goal of Framework

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Questions and Answers to  
Independence Standard  
Questions

**Retired**



# Threats and Safeguards

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## Threats

- Circumstances that could impair independence
  - Usually, a threat to independence does not result in an impairment

## Safeguards

- Controls that eliminate threats or reduce threats to an acceptable level so that independence is not impaired



# 7 Categories of Threats (3.14)

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1. Self-interest threat
2. Self-review threat
3. Bias threat
4. Familiarity threat - *A3.06e(interesting)*
5. Undue influence threat
6. Management participation threat
7. Structural threat

# Safeguards

## Work Environment

- Organizational
  - Culture
  - Policies & procedures
  - Monitoring
  - Structure
- Engagement Specific
  - Different players
  - Additional reviews
  - Oversight by Auditee

## Profession,

## Legislation or Regulation

- Professional Standards
- Monitoring
- Required CPE and Ethics Training
- Other



# Overview of Application

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- Has a threat been identified?
- Is the threat significant?
- Can a safeguard be applied to eliminate or reduce the threat to an acceptable level?
  - If the safeguard does not help then don't proceed as you have a potential impairment

# Example – assist client with closure post closure accrual

- Has a threat been identified?
  - Yes – self-review and perhaps management participation
- Is the threat significant?
  - Yes – material account to financial statements
- Can a safeguard be applied?
  - Yes – separate teams, oversight, responsibility

# Conceptual Framework Flowchart

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Adobe Acrobat  
Document



# Nonaudit Services (3.33 – 3.52)

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- Certain services may be permitted
  - First determine if there is a specific prohibition
    - i.e. – management responsibilities
- Nonaudit services prohibitions in the Internet Version are generally consistent with AICPA



## Permitted Services Still Require (3.37)

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- Audited entity assumes all management responsibilities
- Oversees services by designating an individual who possesses suitable skill, knowledge and expertise
- Evaluates adequacy and results of services performed
- Accepts responsibility for results



# Example – FS Preparation

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- Can I prepare the financial statements?
  - Maybe
- Will the client
  - Assume all management responsibilities
  - Oversee services by designating a responsible party with the right skill set
  - This person can evaluate the results
  - This person accepts responsibilities for services



# Bookkeeping Services (3.50)

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- Auditor may perform provided the auditor does not
  - Determine or change journal entries, account codings or classifications for transactions without obtaining approval
  - Authorize or approve transactions
  - Prepare source documents
  - Make changes to source documents without approval



# Prohibitions

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- Internal audit
- Internal control assessments
- Certain IT services
- Valuation Services

# Does an impairment last forever (3.43 – 3.44)

- For recurring audits these threats may be eliminated
  - Have another independent firm perform the subsequent audit or an audit of the subject matter



## Routine Activities Still Allowed (3.40,3.41)

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- Providing advice and responding to questions as part of an audit are not considered nonaudit services.
  - Typically insignificant in terms of time incurred and resources expended
- Note - FS Prep., cash to accrual conversions and reconciliations are considered nonaudit services

# Keys to Success with Conceptual Framework

Documentation



Judgment  
(3.53 -3.61)



# Competence Review

Every 2 years an auditor *should* obtain 80\* hours of CPE that enhances the auditor's professional proficiency to perform audits or attestation engagements. At least 20 hours of the 80 *should* be completed in any 1 year of the 2-year period.

At least 24 of the 80 hours of CPE *should* be in subjects directly related to government auditing, the government environment, or the specific or unique environment in which the audited entity operates.

The other 56 of the 80 hours of CPE *should* enhance the auditor's professional proficiency to perform audits or attestation engagements in general.

**\*Exception**

Auditors who are *only* involved in performing field work *and* who charge less than 20 percent of their time annually to Yellow Book assignments *should* comply with the 24-hour CPE requirement in each 2 year period. They are exempt from the 56-hour requirement.



# Competence Clarification

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- External vs. Internal Specialists (3.72 – 3.74)
- External
  - Should be qualified and maintain professional competence, but are not required to meet YB CPE requirements
- Internal - Depends
  - Should comply with YB requirements if involved in *directing, performing or reporting*. Training in area of specialization counts toward the 24 hr. requirement
  - If the internal specialist was only “consulted” then they are not subject to CPE.



# Consolidation of Chapter 4 & 5

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- Now referred to as Financial Audits
- Removal of duplication with AICPA
  - References added for
    - Restatements
    - Definitions of internal control deficiencies
    - Communication of significant matters
    - Consideration of fraud and illegal acts
    - SAS 115



## 4 – Terminology Change

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- When referring to **financial audits**
  - The term **fieldwork** has been replaced with **performance**
    - This change makes the Yellow Book consistent with other standards
- GAGAS still uses the term fieldwork
  - Attestation engagements
  - Performance audits



# APPENDIX I

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- Supplemental Guidance
  - Chapters 1,2,3 – applicable to financial audits
  - Chapter 6 & 7 – applicable to performance audits



# Supplemental Guidance

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- Overall Supplemental Guidance
  - Internal Control
  - Examples of Deficiencies in Internal Control
  - Examples of Abuse
  - Examples of Indicators of Fraud Risk
  - Determining Whether Laws, Regulations and Provisions of Contracts and Grant Agreements Are Significant



# Supplemental Guidance

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- Information to Accompany Chapter 1
  - Laws, Regulations, and Other Authoritative Sources That Require Use of GAGAS
  - The Role of Those Charged with Governance
  - Management's Role



# Supplemental Guidance

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- Information to Accompany Chapter 2
  - Attestation Engagements
  - Performance Audit Objectives
  - GAGAS Compliance Statements

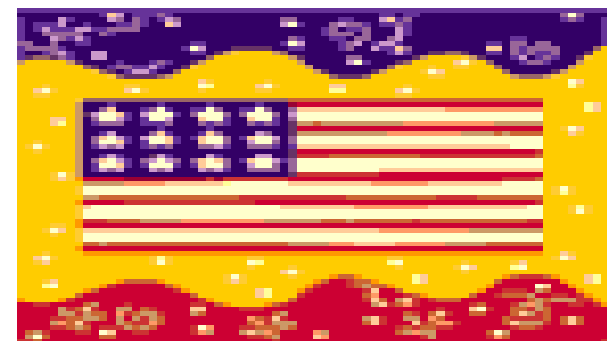




# Supplemental Guidance

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- Information Accompany Chapter 3
  - Threats of Independence
  - System of Quality Control
  - Peer Review





## Appendix II – New

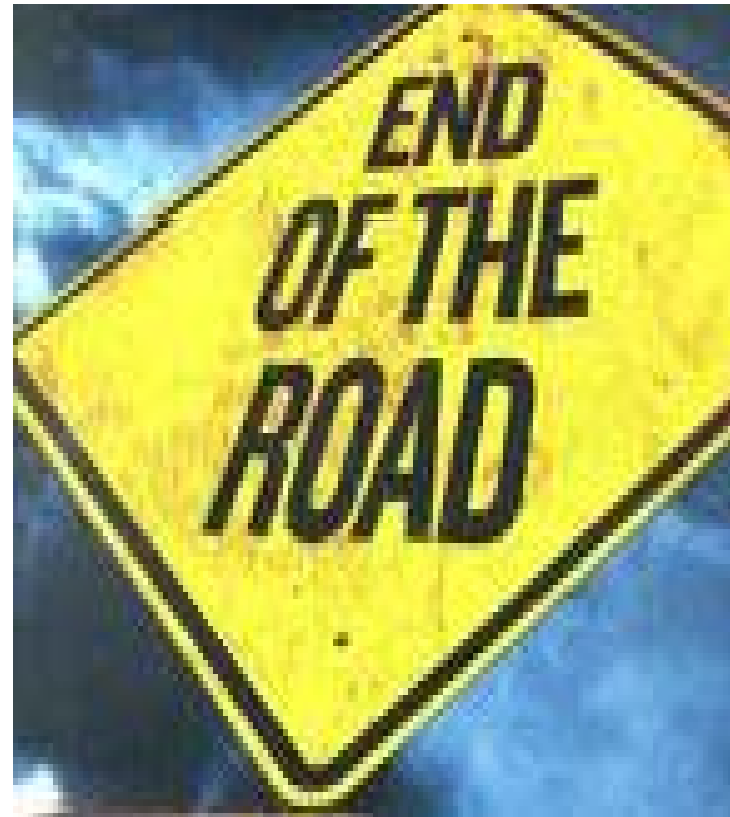
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- GAGAS Conceptual Framework for Independence



# End of the Yellow Book Road

- Watch GAQC and GAO for official release





# 2011 Federal Compliance Supplement

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*Special Thanks to Fred Kruse from Auditor of State for sharing some of the following FCS slides as well GAQC for a few FFATA slides*

# Federal Compliance Supplement

- Updated Annually
- 2011 was issued on June 1, 2011
- Effective for audits of fiscal years beginning after June 30, 2010, and supersedes the 2010 Supplement



# What Will We Cover?

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- High level review on the sections and purpose of each
- Key Changes
- Reminder of other key Compliance Supplement Guidance



# Overview of Supplement

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- Part 1 - Background
- Part 2 - Matrix
- Part 3 - Compliance Requirements
- Part 4 - Agency Program Requirements
- Part 5 - Cluster of Programs
- Part 6 - Internal Control
- Part 7 – Guide for Programs Excluded



# Don't Forget Appendices

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- List of Changes to the 2011 Federal Compliance Supplement

7

- Other OMB Circular A-133 Advisories

Other

- Scan others to see if applicable to my book of business



# Putting the Supplement to Use

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- First step is to determine **applicability** of compliance requirements
  - Part 2 of Supplement, *Matrix of Compliance Requirements*
  - Review contracts and grant agreements
  - Discuss with appropriate individuals within auditee organization

# Part 2 – Matrix of Compliance Requirements

March 2011

Matrix of Compliance Requirements

CFDA	Types of Compliance Requirements													
	A Activities Allowed or Disallowed	B Allowable Costs/Out-Procure	C Cash Management	D Debarment Act	E Eligibility	F Equipment and Real Property Management	G Matching, Level of Effort, Reworking	H Period of Availability of Federal Funds	I Procurement and Suspension and Debarment	J Program Income	K Real Property Acquisition Relocation Assistance	L Reporting	M Subrecipient Monitoring	N** Special Tests and Provisions
84.042														
84.044														
84.047														
84.066														
84.217	Y	Y	Y		Y	Y	Y	Y	Y			Y		
84.048	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
84.126	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y
84.390														
84.181	Y	Y	Y			Y	Y	Y	Y			Y		Y
84.393														
84.186	Y	Y	Y			Y	Y	Y	Y			Y	Y	Y
84.282	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	
84.287	Y	Y	Y		Y	Y	Y	Y	Y			Y	Y	Y
84.298	Y	Y	Y			Y	Y	Y	Y	Y		Y	Y	Y
84.318	Y	Y	Y			Y	Y	Y	Y			Y	Y	Y
84.386														
84.365	Y	Y	Y			Y	Y	Y	Y			Y	Y	Y
84.366	Y	Y	Y		Y		Y	Y	Y			Y	Y	Y
84.367	Y	Y	Y		Y		Y	Y	Y			Y	Y	Y
84.377	Y	Y	Y			Y	Y	Y	Y			Y	Y	Y
84.388														
84.394	Y	Y	Y	Y	Y	Y	Y	Y	Y		Y	Y	Y	Y
84.397														
84.395	Y	Y	Y	Y		Y	Y	Y	Y	Y	Y	Y	Y	Y
84.410	Y	Y	Y			Y	Y	Y	Y	Y	Y	Y	Y	Y

A-133 Compliance Supplement

2-8



# Excerpts from Auditor's Circular A-133 Opinion on Compliance

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**"...we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a **direct and material effect** on a major federal program occurred."**

**AND**

**"In our opinion, ENTITY complied, in all material respects , with the requirements that are applicable to each of its major federal programs for the year ended June 30, 20xx."**



# Compliance Testing

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- Among applicable compliance requirements, identify **direct and material** compliance requirements
  - Direct and material effect *means that noncompliance could result in being denied reimbursement of program expenditures or having to refund federal monies or make other restitution in an amount that would be material to the major program*
  - Qualitative and quantitative considerations



# Using the Supplement

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- Tips on using Part 2
  - Use professional judgment
  - Assess each major program individually
  - Consider both quantitative and qualitative materiality
  - **DOCUMENT** determination why an applicable requirement is NOT deemed direct & material
    - N/A or NOT Direct & Material not enough
  - PPC has a nice tool for documenting D&M
  - Remember, Documentation is Key



# Using the Supplement

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- Once identify direct and material compliance requirements go to Part 3 to obtain:
  - Generic compliance requirement information
  - Generic audit procedures
- Tips
  - Refrain from using the Supplement as a checklist
  - Understand the various programs to determine whether modifications to the audit approach are necessary



# Using the Supplement

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- Use information in Part 3 with Parts 4 and 5
  - Program specific compliance regulation information
  - Limited program specific audit procedures
  - Special tests and provisions
- Tips
  - Cannot be used without Parts 2 and 3
  - Cannot be your audit program on its own



# Using the Supplement

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- Part 6: Internal Control
  - Internal control over compliance considerations for each type of compliance requirement for each major program
  - FACCRs – very helpful tool



# If You're Lucky.....

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- AOS has already prepared a FAACR for your program so you can hit the ground running





# Overview of Changes

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- Added 19 new programs (some ARRA specific and tagged as such)
- Deleted 2 programs – 84.357 and 84.938
- Added 5 programs to SFA Cluster
- Biggest change for 2011 relates to new Federal Funding Accountability and Transparency Act (FFATA) requirements



## Part 2 – Changes to Matrix

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- Updated to reflect new/deleted programs
- **Bold** font used for all programs affected by ARRA
- Existing programs that added or removed compliance requirements which tie to Part 4



## Part 3 – Improper Payments

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- Revised to indicate federal agencies are required to:
  - Take action to prevent improper payments
  - Review federal awards for improper payments
  - As applicable, seek to recover such payments



## Part 3 – Buy American Act

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- Generally, Recovery Act prohibits use of funds for the construction, alteration, maintenance, or repair of a public building or work unless all of the iron, steel, and manufactured goods used in the project are produced in the U.S.

# Part 3 – Reporting – 1512

## Reporting

- Use of lag methodology inappropriate and would result in noncompliance finding
  - However, Supplement states that not likely to result in questioned costs, material weakness, or affect the compliance opinion
- Acceptable to use estimates when actual expenditure amounts not available within 10 days
  - Use "best available data" for the full quarter



# FFATA

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- Tests for Federal Funding Accountability and Transparency Act (FFATA) were added (USAspending.gov).
  - This is similar to 1512 reporting, but for non-ARRA funds. As with 1512 tests, OMB only added tests for prime recipients.
    - Direct recipients required to report certain first-tier subawards
  - Applicable to grants awarded on or after October 1, 2010
  - First reporting deadline was November 1, 2010
  - GAQC Alert #156 also applies further background on FFATA



# FFATA – PLEASE REMEMBER

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Remember, this is only auditors of direct recipients making subawards need to be concerned about FFATA (i.e., relates to first-tier subawards only)

# FFATA – Key Matters to be Aware Of

- Applies only to Federal financial assistance awards in the form of grants and cooperative agreements (e.g., it does not apply to loans made by a federal agency to a recipient)
- However, subaward reporting requirements apply to all types of first-tier subawards under a grant or cooperative agreement.



# FFATA

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- In general, FFATA reporting requirements do not apply to Recovery Act funded awards
- If a subaward is made using both Recovery Act and non-Recovery Act funding sources:
  - Section 1512 reporting would apply to the Recovery Act part of the subaward
  - FFATA reporting requirement would apply to the non-Recovery Act funds
- Key piece of information in determining applicability of FFATA reporting is a Federal Assistance Identification Number (FAIN)



# FFATA – What is a FAIN?

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- A unique award number assigned to a particular grant or cooperative agreement by the Federal awarding agency (as opposed to the CFDA number)
- In some programs, a new award number is used each year and that new award number is considered a new FAIN
- In some programs, where awards are made for a multi-year project, but may be funded in increments, even though a suffix may be added, e.g., -02 or -03 designating the subsequent years of an approved project, this is not considered a new FAIN

# FFATA – Auditor Considerations

- A new section has been added to each program supplement/cluster in Part 5 to indicate whether FFATA reporting is “Applicable” or “Not Applicable”
- When both Recovery Act and non-Recovery Act funding, a notation is provided that the Transparency Act only applies to non-Recovery Act funds.
- Could be “Not Applicable” for several different reasons:
  - there are no subawards under the program;
  - the program is exempt from this requirement because it is Recovery Act funded; or
  - the program is other than a grant or cooperative agreement program (e.g., it is a loan)

# FFATA – Auditor Considerations

- Those auditors need to:
  - Gain an understanding of the recipient's methodology used to identify which, if any, awards were subject to the Transparency Act
  - Select a sample of recipient payments for first-tier subawards (e.g., non-payroll expenditures) from direct non-ARRA funded awards or funded with both ARRA and non-ARRA funding
  - Obtain related subaward agreements and determine if the subaward was subject to reporting under the Transparency Act based on the timeframe, size of the subaward, and value of the action.

# FFATA – Auditor Considerations

- If the subaward was subject to reporting under the Transparency Act:
  - Using the prime award number, find the award on [www.USASpending.gov](http://www.USASpending.gov); and
  - Review the subaward documents maintained by the recipient or contractor and the key data elements listed above for compliance testing of the Transparency Act reporting requirements to the reported data compare to assess if—
    - Applicable subaward awards/actions have been reported,
    - The key data elements were accurately reported and are supported by source documentation, and
    - The action was reported in FSRS no later than the last day of the month *following* the month in which the award or the modification was signed.

# Reminders – Other Key CS Guidance

- Clarification of low risk auditee criteria
- Elimination of granting extensions
- Effect of Recovery Act Awards on Major Program Determination
- Safe harbor for treatment of large loan and loan guarantee program in type A program determination



# Low Risk Auditee

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- Agencies have been instructed to grant no extensions for 2009-2011
- Late filings of A-133 reports in either of the prior two years “Low Risk Auditee” is not an option
- Great GAQC Alert on this topic
  - GAQC Alert #141





# Effect of Expenditures of ARRA Awards on Major Program Determination

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- Clusters – SFA and R & D Excluded
  - If a new ARRA program is added to a Cluster, the Cluster would not qualify as a low-risk program under .520 (c) of A-133
  - De minimus amount of ARRA expenditures would not support low risk
    - Exception may apply



# Effect of Expenditures of ARRA Awards on Major Program Determination

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- Type A Program with ARRA Expenditures
  - Any program or cluster with ARRA expenditures would not qualify as a low-risk A
  - De minimus amount of ARRA expenditures would not support low risk
    - Exception may apply



# Exception

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1. Program or cluster had ARRA expenditures in prior audit period;
2. Was audited as a major in prior audit period;
3. ARRA expenditures in current period are less than 20% of the total program or cluster expenditures
4. The audit has followed the guidelines and determined program/cluster is low risk.



# Type B Programs

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- All Type B programs and clusters with Recovery Act expenditures to be considered higher risk
- However, not precluded from selecting Type B programs with no Recovery Act expenditures in lieu of a Type B program or cluster with Recovery Act expenditures

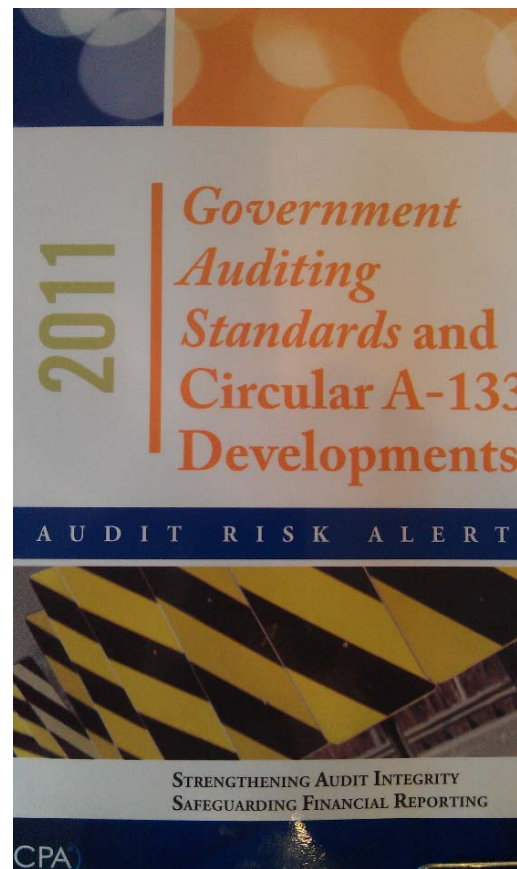
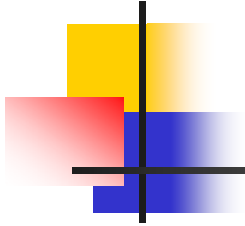


## Safe Harbor for Treatment of a Large Loan and Loan Guarantee Programs in Type A Program Determination

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- The inclusion of large loan and loan guarantees (loans) should not result in the exclusion of other programs as Type A programs.
  - When a Federal program providing loans significantly affects the number or size of Type A programs, the auditor shall consider this Federal program as a Type A program and exclude its values in determining other Type A programs

*AAG-SLA  
8.08 – 8.10*





# Purpose of the Alert

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- Helps you plan and perform audits conducted in accordance with the Yellow Book and Circular A-133.
- Can be used by an entity's internal management to address areas of audit concern.
- Assists you in achieving a "big picture" understanding of the business, economic and regulatory environment in which your clients operate.
- Delivers emerging practice issues and current auditing and regulatory developments as it relates to audits performed under the Yellow Book and Circular A-133.



# Other Alerts

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- *Comprehensive Audit Risk Alert*
- *Audit Risk Alert State and Local Governmental Developments*
- *Audit Risk Alert Not-For-Profit Organizations*
- *Audit Risk Alert Health Care industry Developments*

# Frequent Violations Relating to Single Audits – Ethics Division

## Major Programs

- Failed to accurately identify and test all M.P.
- Did not properly identify clusters
- Incorrectly computed threshold for Type A programs
- Failed percentage of coverage

## SEFA

- Totals for each program were missing
- Missing required information
- Required Elements of findings missing from SFQC
- Bad information included on SFQC related to major programs

# Frequent Violations noted in Peer Reviews

- Performance of a review when an audit was required.
- Failure to identify and audit major programs.
- Failure to include proper Circular A-133 reports.
- Failure to document tests of controls and compliance, perform adequate tests in other key areas, and test controls over compliance in single audit engagements.
- Compliance and control tests, including sampling applications, were not adequately designed to support the type of reports issued.
- Report on financial statements did not refer to the *Government Auditing Standards* report on internal control over financial reporting and compliance and other matters.

# Economic and Industry Developments

- The Current Economy
  - General conditions
  - Specific conditions
- Unemployment Rate
  - National as of July 2011 – 9.1%
  - State of Ohio – 9%
  - Pike County – 15.6%
  - Geauga County – 6.5%



# Legislative and Regulatory

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- 2011 Yellow Book
- 2011 Federal Compliance Supplement
- Other Areas Not Covered in Presentation
  - SEFA Presentation When CFDA not available
  - HUD
  - Checklists & Updated Guides

# Effect on SEFA Presentation When CFDA # Not Available

- “Unknown” should be last resort
  - [www.cfda.gov](http://www.cfda.gov)
  - Grant records
- Other Options before “Unknown”
  - Contract or grant number
  - Apply FAC’s guidance
    - Awarding agency 2 digit number followed by contract or grant number



# HUD Updates

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- Reports in Chapter 2 of Guide Updated to be SAS 117 Compliant
  - Available at  
[www.hudoig.gov/reports/consolidated.php](http://www.hudoig.gov/reports/consolidated.php)
- Chapter by Chapter Update Still Moving
  - 1 - issued 4/11, apply to fye on/after 9/30/11



<http://www.aicpa.org/INTERESTAREAS/GOVERNMENTALAUDITQUALITY/RESOURCES/HUDINFORMATION/Pages/default.aspx>

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- The U.S. Department of Housing and Urban Development (HUD) requires audits of entities participating in various HUD programs. For example, HUD requires program-specific audits of for-profit participants (e.g., multifamily housing entities, lenders, etc.) in selected HUD Housing and Ginnie Mae programs under the *HUD Consolidated Audit Guide*. Not-for-profit and governmental organizations that participate in HUD housing programs fall under the requirements of the Single Audit Act and Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

While the HUD Web site provides much information and resources, not all are relevant to auditors of entities subject to HUD audit requirements. The purpose of this GAQC Web page is to assist auditors performing HUD engagements with finding information and news relevant to their audits. It also provides background information on the various type of HUD audits and HUD offices, training information, and other resources. Click on the following links to learn more.

- [GAQC Alerts, Web Events, Links to Illustrative Audit Reports, and Other Resources](#)
- [HUD News \(Current and Archive\)](#)
- [HUD Consolidated Audit Guide](#)
- [Illustrative HUD Audit Reports](#)
- [Submission and Audit Requirements for PHAs and Multifamily Program Participants](#)
- [HUD Offices Relevant to HUD Audits and Related Background on FASS and LASS](#)
- [AICPA HUD Related CPE](#)
- [Directory of Helpful Web Sites](#)



# Updated Federal Quality Control Review & Desk Review Checklists

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- Guide for Quality Control Reviews of OMB Circular A-133 Audits (2010)
  - [www.ignet.gov/pande/audit/qcrreview2010.pdf](http://www.ignet.gov/pande/audit/qcrreview2010.pdf)
- Guide for Desk Reviews of OMB Circular A-133 Audit Reports (2010)
  - [www.ignet.gov/pande/audit/singleauditrevguide2010.pdf](http://www.ignet.gov/pande/audit/singleauditrevguide2010.pdf)
- It's always good to know what is expected of you



# Updated Guides

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- Department of Education
  - Two Audit and Attestation Lender Guides Updated
    - [www2.ed.gov/about/offices/list/oig/nonfed/sfa/html](http://www2.ed.gov/about/offices/list/oig/nonfed/sfa/html)
- Department of Energy
  - New audit guide for conducting program compliance audits for for-profit recipients and subrecipients of federal funds from DOE



# Regulatory Developments

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- SAS 118 – Other Information in Documents Containing Auditing Financial Statements
- SAS 119 – Supplementary Information in Relation to the Financial Statements as a Whole
- SAS 120 – Required Supplementary Information
- All effective for audit periods beginning after December 15, 2010. **E.A.E.**

# Report on Single Audit Quality

- A-133 audits are a key accountability mechanism for the expenditure of taxpayer dollars.
- June of 2007 –the Report on National Single Audit Quality was issued. (Results not so good)
- GAO Study



Brief Update on Each Task Force



## 7 AICPA Task Forces Formed

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- Sampling and materiality issues
- Internal control and compliance responsibilities
- Schedule of Expenditures of Federal Awards (SEFA) reporting issues
- Reporting audit findings
- Single audit training needs
- Practice monitoring
- SAS 74 revisions



# Latest on Sampling Task Force

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- New Sampling chapter added to the GAS & A-133 Audit Guide
- Included as Chapter 11 in AICPA GAS/A-133 Guide
  - Topics include:
    - Statistical vs. nonstatistical approach
    - Attribute vs. monetary sampling
    - Population considerations
    - Sample sizes and tables
    - Dual-purpose testing
    - Deviations

Great Resource Tool: GAQC  
Archived Call Sampling in a Single  
Audit Environment

*Source: GAQC CC on 4/28/09*



# Response from AICPA Task Force on Internal Control and Compliance

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- Revised GAS/A133 Audit Guide chapter on internal control to clarify auditor responsibility and more closely align with risk assessment standards
  - Chapter 9
- Reordered chapters in the GAS/A133 Guide to mirror workflow
- Clarified definition and use of “applicable” compliance requirement vs. “direct and material” compliance requirement
- Additional changes were made to this chapter to further improve the guidance



# Update on Responses to PCIE Report – SEFA

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- Federal Awards Expenditures
  - GAGAS \ A-133 chapter 7
  - Communicate early
  - Document control deficiencies
  - Document procedures and conclusions
  - Recovery Act
  - Disclosure checklists developed for both auditor and auditee
  - APGs developed for auditor



# Update on Responses to PCIE Report – Findings

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- Reporting Single Audit Findings
  - GAGAS \ A-133 chapter 13
  - Start early
  - Document “no finding” issued
  - Educate staff
  - Include all findings and QCs; tie out documentation
  - Use new SFQC each year
  - No privacy issue info

# Update on Responses to PCIE Report – Training

- Appropriate level single audit and Yellow Book training
- As a team, review the PCIE report
- As a team, review the *Compliance Supplement*
- Share the GAQC alerts and newsletters with single audit staff
- Review any archived events on the GAQC website that are applicable to your audit engagements
- If your clients receive Recovery Act funding, be sure staff appropriately trained in any new requirements



# Latest on Training Needs

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- Discussed the PCIE recommendation for prerequisite single audit training to determine best practice training
- Developed a best practice training curriculum along with a related white paper and submitted it to OMB for its consideration in developing any future training requirement
- Paper submitted to OMB includes detail on hours needed at each staff level, a suggested "grandfathering" provision, delivery guidance, question and answer format implementation guidance, and an introductory narrative



# Update on Responses to PCIE Report – Practice Monitoring

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- Peer Review

- May 2009 updated standards interpretations
- Other enhancements



# Thank You

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