

Emerging Issues in Government Accounting & Auditing

Central Ohio AGA PDT
October 17, 2022



1

Today's Agenda


- State Fiscal Outlook
- Legislative and Regulatory Issues
- Transparency Initiatives
- Auditing Issues
- Other Emerging Issues



State Fiscal Outlook



NATIONAL OVERVIEW



▼

GDP growth:
2022 – Q2 down .6% follows a decline of 1.6% in Q1; est. .7% for the year
2021 – 5.5% overall, largest growth since 1984

▼

Stock Market:
2022 – DJIA down 1.7% in Q3; down **21%** for the year
2021 – DJIA up 18.6%; sets record high on April 16 and many times since; crosses 36,000 on November 1

▼

Recession:
July 2022 – forecast of 49% risk of recession in next 12 months; up from 18% in Jan. August 2022 - Are we in a recession or not?

▼

Unemployment:
Sept. 2022 – 3.5% matching a half-century low that was reached in July 2022
Wages rose 5% from Sept 2021

▼

Jobs:
Sept. 2022 – added 263,000, down from 315,000 in August and 528,000 in July 2022
Hot labor market beginning to cool...some

▼

Interest rates:
Fed Reserve increased rates .75% in Sept., fifth consecutive increase in 2022
Fed trying to address inflation which was 8.3% in August 2022, still near a four-decade high

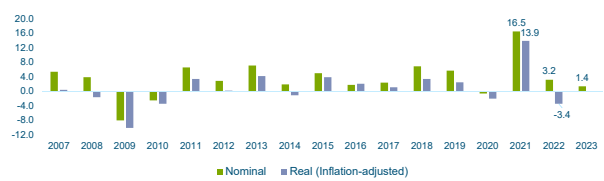
Source: Wall Street Journal

4

General Fund
Revenue Collections



Annual General Fund Revenue Percentage Changes
Fiscal 2007 to Fiscal 2023



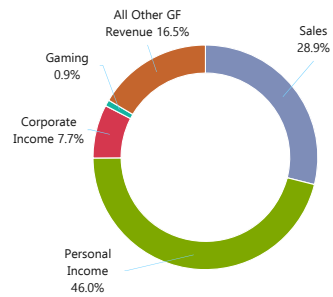
Fiscal Year	Nominal (%)	Real (Inflation-adjusted) (%)
2007	4.5	4.5
2008	4.5	4.5
2009	-4.5	-4.5
2010	-4.5	-4.5
2011	4.5	4.5
2012	4.5	4.5
2013	4.5	4.5
2014	4.5	4.5
2015	4.5	4.5
2016	4.5	4.5
2017	4.5	4.5
2018	4.5	4.5
2019	4.5	4.5
2020	4.5	4.5
2021	16.5	13.9
2022	3.2	-3.4
2023	1.4	

Note: Fiscal 2022 figure is estimated; fiscal 2023 figure is based on governors' recommended budgets. The state and local government implicit price deflator cited by the Bureau of Economic Analysis National Income and Product Account Tables, Table 3.9.4., Line 33 (last updated on May 26, 2022), is used in determining real changes. Fiscal Year real changes are based on quarterly averages.

6

Revenue Sources in the General Fund (%)

Estimated Fiscal 2021

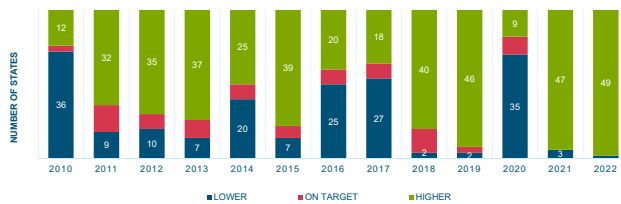


Source: NASBO State Expenditure Report

7

General Fund Revenue Collections

General Fund Revenue Collections Compared To Original Budget Projections (By Fiscal Year)

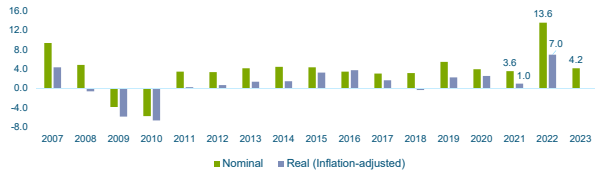


* Fiscal 2022 is ongoing; figures are subject to change.

8

Spending Trends

Annual General Fund Spending Percentage Changes Fiscal 2007 To Fiscal 2023

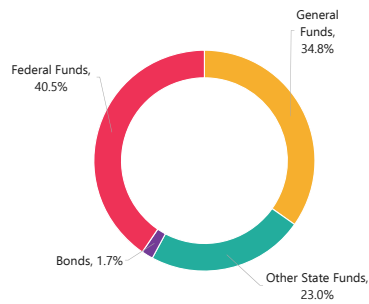


Note: Fiscal 2022 figure is estimated; fiscal 2023 figure is based on governors' recommended budgets. The state and local government implicit price deflator cited by the Bureau of Economic Analysis National Income and Product Account Tables, Table 3.9.4, Line 33 (last updated on May 26, 2022), is used in determining real changes. Fiscal Year real changes are based on quarterly averages.

10

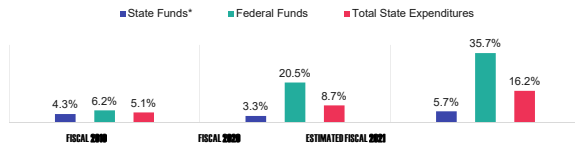
Total State Expenditures By Fund Source

Estimated
Fiscal 2021



Source: NASBO State Expenditure Report

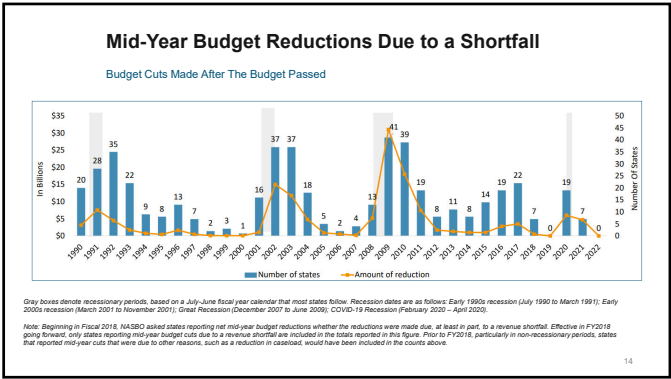
YEAR-OVER-YEAR PERCENTAGE SPENDING GROWTH BY FUND SOURCE

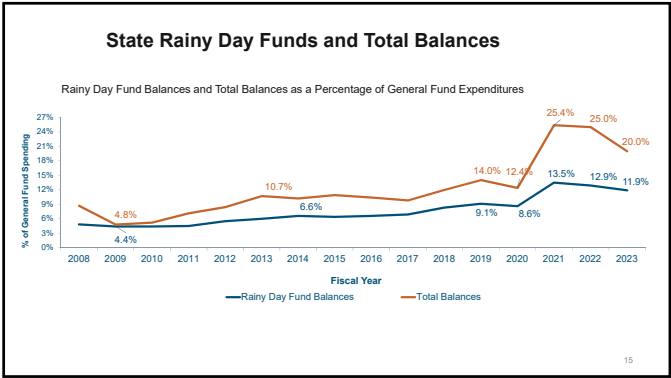


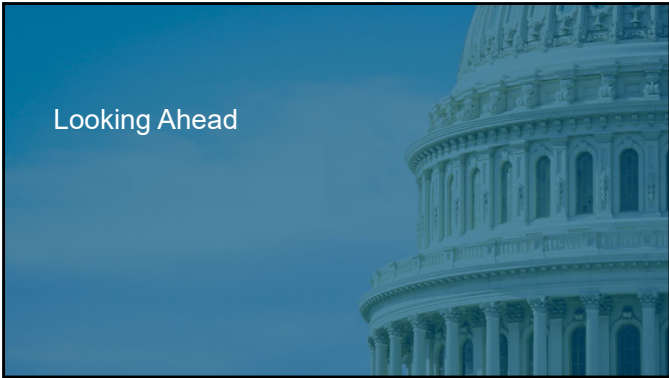
*State funds are general funds and other state funds combined, excluding bonds. Total state expenditures are all federal and state funds.
Source: NASBO's 2021 State Expenditure Report


12

















Infrastructure Investment and Jobs Act (IIJA)

	\$110 billion for roads, bridges, and major projects
	\$66 billion for passenger and freight rail
	\$39 billion for public transit
	\$25 billion for airports
	\$17 billion for ports and waterways

17



Hot Topics

- Tax Cuts
- Risks: Inflation, Supply Chain, Covid-19, War
- Federal Spending
- One-Time Investments
- Employee Recruitment and Retention

Source: NASBO

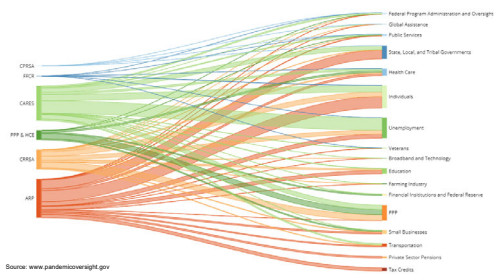
18

Legislative and Regulatory Issues: COVID-19

COVID-19: Congressional Response

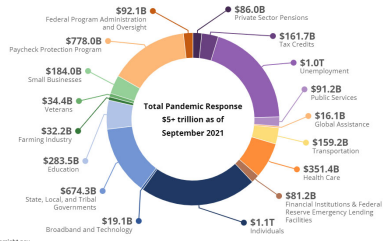
- Six wide-ranging laws have been enacted:
 - March 6, 2020: Coronavirus Preparedness and Response Supplemental Appropriations Act, 2020 ([Public Law 116-123](#)) – \$8.3B
 - March 18, 2020: Families First Coronavirus Response Act ([Public Law 116-127](#)) – \$192B
 - March 27, 2020: Coronavirus Aid, Relief, and Economic Security Act ([Public Law 116-136](#)) – \$2.2T
 - April 24, 2020: Paycheck Protection Program and Health Care Enhancement Act ([Public Law 116-139](#)) – \$484B
 - December 27, 2020: Consolidated Appropriations Act 2021 ([Public Law 116-260](#)) – \$920B
 - March 11, 2021: American Rescue Plan Act ([Public Law 117-2](#)) – \$1.9T
- **\$5.7 trillion to date**

It's as easy as...

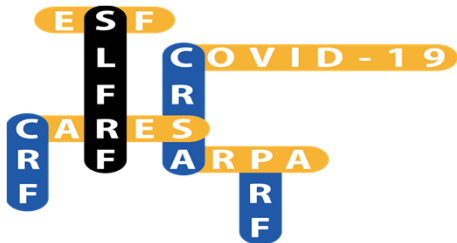


Or maybe...

Where did Pandemic Relief Funds Go?



New Acronyms



CARES Act: Current Issues

CARES Act: Current Issues

- When is a CRF cost considered “incurred”
 - Revised [guidance](#) from Treasury on December 14, 2021
 - Previously, “performance or delivery must have **occurred** during the covered period”
 - Revised, “as an order placed for property and services and entry into contracts, subawards, and similar transactions that require payment”
 - Recipients are required to expend their funds to cover these obligations by September 30, 2022
 - This deadline should provide sufficient time to spend CRF funds
 - Questions A.54 and A.58 modified to reflect new guidance

CRF: Closeout Procedures

CRF Closeout Procedures

- Closeout [Guide](#) issued February 14, 2022
- Key provisions:
 - Closeout due in GrantSolutions by December 31, 2022
 - Required corrections for FEMA cost share changes
 - Recipients utilizing this provision will need to correct/modify its Quarterly Financial Progress Report beginning in cycle 8 due April 11, 2022
 - Refer to question 52 and 57 of [FAQs](#) related to reporting

CRF Closeout Procedures

- Final closeout report should take place when all CFR proceeds, including loan repayments, have been expended or returned to Treasury
 - Prime recipient's authorizing official will **select a checkbox** when signing the quarterly financial progress report indicating that the report is ready for closeout
 - After closeout, prime recipient should maintain all records for five years after the final payment is made
 - Retention period extends through resolution of any litigation, claims or audit findings
 - Record retention is also applicable to subrecipients



28

CRF Closeout Procedures

- Treasury OIG will confirm that submission of the final closeout report has been completed and data meets validation checks
- What about changes necessary after final closeout report has been submitted?
 - Prime recipient must submit a request to reopen the report correction to Treasury OIG at CARES@oig.treas.gov
- Helpful tip:
 - Recipients should review OIG's closeout procedures (contained in the guide)



29

American Rescue Plan Act (ARPA)



American Rescue Plan Act (APRA)

- Resources from Treasury - SLFRF
 - [Final Rule](#) (January 6, 2022) - 437 pages!
 - [User friendly overview](#) - 44 pages - much better!
 - [Interim Final Rule](#) (May 17, 2021)
 - [Compliance and Reporting Guidance](#) (September 20, 2022)
 - [Project and Expenditure Report User Guide](#) (April 1, 2022)
 - [FAQs](#) (updated for Final Rule, July 27, 2022)
 - [Non-entitlement Units of Local Government](#)
 - [Guidance](#)
 - [FAQs](#) (as of June 30, 2021)
 - [Treasury's Portal for Recipient Reporting](#) (August 9, 2021)
 - [Reporting Templates](#) for Recovery Plan Reporting and NEU distributions (August 3, 2021)
 - [OIG contacts](#) are various Federal agencies
 - Questions
 - SLFRF@treasury.gov or (844) 529-9527
 - [WEBINAR: State & Local Fiscal Recovery Funds: Project & Expenditure Reporting Pt. I](#)



31

State and Local Fiscal Recovery Funds

- SLFRF – \$350B
 - Assistance to state governments and DC – \$195B
 - \$26B allocated equally among each of the 50 states and DC
 - \$169B allocated to each state based on the state's share of total national unemployment
 - Assistance to local governments – \$130B
 - \$65B to counties based on population
 - \$65B to cities
 - \$45.5B to metropolitan cities using a modified CDBG formula
 - \$19.5B to non-entitlement units of local government based on population
 - Allocated through states for redistribution
 - Amount will not exceed 75% of most recent budget as of January 27, 2020



32

State and Local Fiscal Recovery Funds

- Allowable Uses
 - To respond to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19) or its negative economic impacts
 - To respond to workers performing essential work during the COVID-19 public health emergency by providing premium pay to eligible workers of the state, territory, or Tribal government that are performing such essential work, or by providing grants to eligible employers that have eligible workers who perform essential work
 - For the provision of government services to the extent of the reduction in revenue of such state, territory, or Tribal government due to such emergency or
 - To make necessary investments in water, sewer, or broadband infrastructure



33

State and Local Fiscal Recovery Funds

- Restrictions on Use (from the Final Rule)
 - For states and territories:
 - May not use SLFRF to directly or indirectly offset a reduction in net tax revenue resulting from a change in state or territory law
 - For all recipients except for Tribal governments:
 - No extraordinary contributions to a pension fund for the purpose of reducing an accrued, unfunded liability
 - For all recipients:
 - No payments for debt service and replenishments of rainy day funds
 - No satisfaction of settlements and judgments
 - Other general restrictions – SLFRF funds cannot be used to:
 - Conflict with the purpose of APRA (e.g., use of funds that undermine COVID-19 mitigation practices)
 - Violate award terms and conditions or the UG's conflict of interest requirements

State and Local Fiscal Recovery Funds

- Eligible Costs Timeframe
 - Funds must be used for costs incurred by **December 31, 2024**
 - Period extends to funds expended by **December 31, 2026**, if funds are obligated by December 31, 2024
 - Costs for projects incurred prior to March 3, 2021, are **not** eligible
 - Any funds not obligated or expended for eligible uses by these timelines must be returned to Treasury
 - Including any unobligated or unexpended funds that have been provided to subrecipients and contractors

State and Local Fiscal Recovery Funds

- Reporting requirements
 - There are three types of reporting for SLFRF
 1. Interim Report
 - Initial overview of status and uses of funds by Expenditure Category (EC); a one-time report
 2. Project and Expenditure Report
 - Report on projects funded, expenditures and contracts and subawards over \$50,000 by EC and other information
 3. Recovery Plan Performance Report
 - Information on projects that large recipients are undertaking and how they plan to ensure **program outcomes** are achieved
 - » Applies to populations of 250,000 or more
 - » Includes **key performance indicators** identified by the recipient and some mandatory indicators from Treasury
 - » Must be posted to public-facing website of recipient

SLFRF Reporting Requirements – By Recipient Type

Tier	Recipient	Interim Report	Project and Expenditure Report	Recovery Plan Performance Report
1	States, U.S. territories, metropolitan cities and counties with a population that exceeds 250,000 residents	By August 31, 2021 or 60 days after receiving funding if funding was received by October 15, 2021	By January 31, 2022, and then 30 days after the end of each quarter thereafter	By August 31, 2021 or 60 days after receiving funding, and annually thereafter by July 31
2	Metropolitan cities and counties with a population below 250,000 residents that are allocated more than \$10 million in SLFRF funding, and NEUs that are allocated more than \$10 million in SLFRF funding.	Note: NEUs were not required to submit a Project and Expenditure Report on January 31, 2022. The first reporting date for NEUs will be April 30, 2022.	Note: NEUs were not required to submit a Project and Expenditure Report on January 31, 2022. The first reporting date for NEUs will be April 30, 2022.	
3	Tribal Governments that are allocated more than \$30 million in SLFRF funding.			
4	Tribal Governments that are allocated less than \$30 million in SLFRF funding.		By April 30, 2022, and then annually thereafter	
5	Metropolitan cities and counties with a population below 250,000 residents that are allocated less than \$10 million in SLFRF funding, and NEUs that are allocated less than \$10 million in SLFRF funding.			

SLFRF – Expenditure Categories

- **Caution:** Final Rule broadened/changed expenditure categories
- Seven major categories including:
 - Public Health (14)
 - Negative Economic Impacts (37)
 - Public Health-Negative Economic Impact: Public Sector Capacity (5)
 - Premium Pay (2)
 - Infrastructure (21)
 - Revenue Replacement (2)
 - Administrative (2)
- 83 total specific categories (66 under the Interim Final Rule)

ARPA: Recent Developments

SLFRF – The Final Rule

- Key Provisions
 - Issued January 6, 2022
 - Effective April 1, 2022
 - Early implementation allowed
 - Treasury will **not** take action to enforce the interim final rule to the extent that a use of funds is consistent with the terms of the final rule, regardless of when the SLFRF funds were used
 - [Statement Regarding Compliance with the Coronavirus State and Local Fiscal Recovery Funds Interim Final Rule and Final Rule](#)

SLFRF – The Final Rule

- Key Provisions
 - Provides “broader flexibility and greater simplicity”
 1. Expanded the list of uses of funds
 2. Expanded support for public sector hiring and capacity
 3. Streamlined options to provide premium pay for essential workers
 4. Broadened eligible water, sewer and broadband infrastructure projects
 5. Included the option for a standard allowance for revenue loss

SLFRF – The Final Rule

- Key Provisions
 - Four eligible **use categories**:
 1. Replace lost public sector revenue
 2. Support the COVID-19 public health and economic response
 3. Provide premium pay for eligible workers performing essential work
 4. Invest in water, sewer and broadband infrastructure

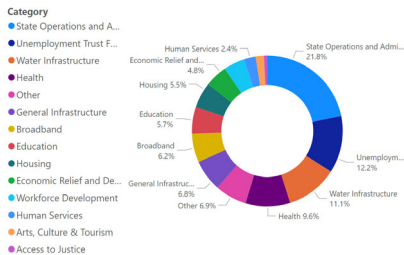
SLFRF – The Final Rule

- Replacing lost public sector revenue
 - Recipients have the option to choose between the standard allowance or complete a full revenue loss calculation annually
 - Offers standard allowance of revenue loss of \$10 million (in aggregate)
 - For some recipients, the standard allowance may exceed their full award
 - Funds can be used for government services
 - Streamlined reporting requirements

SLFRF – The Final Rule

- General government services – examples
 - Construction of schools and hospitals
 - Road building and maintenance, and other infrastructure
 - Health services
 - General government administration, staff and administrative facilities
 - Environmental remediation
 - Provision of police, fire, and other public safety services
 - Includes purchase of fire trucks and police vehicles

For what categories are states using ARPA funds?



SLFRF – Key FAQs (July 2022)

- What compliance requirements and reporting requirements apply to subrecipients and beneficiaries? (FAQ 13.13)
 - Subrecipient are required to comply with all restrictions applicable to recipients, including single audit requirements
 - Beneficiaries are not subject to these requirements
 - Distinction between subrecipients and beneficiaries is addressed in supplemental information in Treasury's final rule



46

SLFRF – Key FAQs (July 2022)

- FAQ 13.13 (cont.)
 - For example, when recipients of SLFRF funds provide award funds to **individuals or entities** as a result of experiencing a public health or negative economic impact of the pandemic, those receiving such funding are beneficiaries of the funds. In contrast, when recipients provide award funds to an **entity to carry out a program** in response to the public health emergency or its negative economic impacts, the entities receiving such funding are subrecipients.



47

SLFRF – Key FAQs (July 2022)

- Do recipients need to report subrecipient information for the revenue loss eligible use category? (FAQ 13.14)
 - No. Treasury is not collecting subaward data for projects categorized under the "Revenue Replacement" category
 - Treasury has determined that there are no subawards under this eligible use category
 - Recipients' use of revenue loss funds does not give rise to a subrecipient relationship given that there is no federal program or purpose to carry out



48

SLFRF – Key FAQs (July 2022)

- In the definition of “obligation” in the final rule, what does Treasury mean by “similar transactions that require payment?” (FAQ 13.17)
 - Obligation means “an order placed for property and services and entering into contracts, subawards, and similar transactions that require payment”
 - Treasury recognizes that recipients may obligate funds through means other than contracts or subawards (e.g., payroll costs)

SLFRF – Key FAQs (July 2022)

- FAQ 13.17 (cont.)
 - In these circumstances, recipients must follow state or local law and their own established practices and policies regarding when they are considered to have incurred an obligation and how those obligations are documented.
 - For example, a recipient may have incurred an obligation even though the recipient and its employee may not have entered into an employment contract.
 - This is another example of Treasury providing flexibility

COVID-19: Response from OMB

COVID-19: OMB's Response

- Compliance Supplements
 - [2021 Compliance Supplement](#)
 - [Addenda 1 and 2 and Technical Update](#)
 - [2022 Compliance Supplement](#)
- OMB Administrative Memorandums Issued:
 - [M-20-11](#) (March 9, 2020)
 - [M-20-17](#) (March 19, 2020)
 - [M-20-20](#) (April 9, 2020)
 - [M-20-21](#) (April 10, 2020)
 - [M-20-28](#) (June 18, 2020)
 - [M-21-20](#) (March 19, 2021)
- OMB FAQs
 - [CARES Act and M-20-21](#) (June 24, 2020)
 - [ARPA and M-21-20](#) (May 21, 2021)
- [List of COVID-19 Federal Financial Assistance Programs](#) (September 30, 2021)
- Questions
 - GrantsTeam@omb.eop.gov
 - ARPImplementation@omb.eop.gov



52

OMB Memo M-21-20

- Appendix 3
 - Extension of Single Audit submission
 - Awarding agencies should allow recipients and subrecipients that have not yet filed their single audits as of the date of the issuance of this memorandum that have fiscal year-ends through June 30, 2021, to delay the completion and submission of the Single Audit reporting package to **six months** beyond the normal due date
 - No further action by awarding agencies is required for this extension
 - Recipients and subrecipients are not required to seek approval for the extension; however, they should document the reason
 - Extension does not impact "low-risk auditee" status
- Further extensions are not expected



53

2021 Compliance Supplement

- Key provisions:
 - Part 8, Appendix IV
 - All new ARPA programs are considered "higher risk"
 - The following non-ARPA programs are considered "higher risk"

Agency	ALN (CFDA) Number	Title
HHS	93.778/93.777/93.775	Medicaid Cluster
HHS	94.98	Provider Relief Fund
HHS	93.461	Testing for the Uninsured
Transportation	20.106	Airport Improvement Program
Transportation	20.500/20.507/20.526	Federal Transit Cluster
Treasury	21.019	Coronavirus Relief Fund
Treasury	21.203	Emergency Rental Assistance*
Education	84.425	Education Stabilization Fund



54

2021 Compliance Supplement

- Emergency Rental Assistance (ERA)
 - Treasury did not develop a Compliance Supplement section for this program
 - Likely a major program for all states
 - Auditors will be forced to apply part 7 of the Compliance Supplement to determine compliance requirements and in designing tests of compliance
 - A very inefficient approach!

2021 Compliance Supplement

- [Technical Update](#)
 - Issued and effective on April 8, 2022
 - Updates two programs:
 - HHS's Provider Relief Fund (ALN 93.498)
 - Treasury's SLFRF (ALN 21.027)
 - Updates Part 8, Appendix VII to add an alternative compliance examination engagement in accordance with Yellow Book for certain SLFRF recipients

2021 Compliance Supplement

- Provider Relief Fund
 - Removed a requirement for the auditor to test out-of-network, patient out-of-pocket expenses
 - No longer meaningful and applicable to program oversight
 - This was the only item in Special Tests and Provisions
 - Accordingly, this type of compliance is now marked with an "N"

2021 Compliance Supplement

- SLFRF
 - Provides an optional alternative compliance examination (ACE) engagement for certain recipients
 - Attempts to balance a reduction of burden of a full single audit with an appropriate level of oversight
 - Estimated to be more than 10,000 entities
 - Conducted in accordance with AT-C section 315, *Compliance Attestation*
 - Report is submitted to the Federal Audit Clearinghouse
 - Submission deadlines are the same as single audit, including six-month extension provided in OMB memo M-21-20
 - [Alternative Compliance Examination Engagement Report User Guide](#) (August 2022)



58

2021 Compliance Supplement

- SLFRF (cont.)
 - Eligibility
 - SLFRF recipients that expend \$750,000 or more during the recipient's fiscal year in Federal awards and which meet both criteria listed below:
 1. The recipient's total SLFRF award received directly from Treasury or received (through states) as a non-entitlement unit of local government is at or below \$10 million; and
 2. Other Federal award funds the recipient expended (not including their SLFRF award funds) are less than \$750,000 during the recipient's fiscal year.



59

2021 Compliance Supplement

- SLFRF (cont.)
 - Reduces burden
 - Financial statement audit is not required
 - SEFA is not required as the practitioner opines directly on the compliance for a single program
 - Two compliance requirements are applicable
 1. Activities allowed or unallowed
 2. Allowable costs/cost principles
 - Internal control is more limited than 2 CFR 200.514(c)
 - Practitioner focuses on relevant portions of internal control to plan the engagement and assess control risk for compliance with specified requirements



60

2021 Compliance Supplement

- SLFRF (cont.)
 - Reduces burden
 - Still results in an examination opinion (which is similar to a compliance opinion in a single audit)
 - Reporting is simplified compared to a single audit
 - One compliance examination opinion is issued instead of up to three reports for a single audit

2021 Compliance Supplement

- SLFRF (cont.)
 - Reporting
 - Practitioner's report is prepared in accordance with AT-C 315 and *Government Auditing Standards* (GAGAS)
 - Schedule of Findings and Responses
 - Includes findings required to be reported by GAGAS and the related finding elements required by GAGAS
 - Submission deadlines are the same as single audit

ACE Engagements – Latest Developments

- Illustrative [reports](#) available on AICPA website
- AICPA Practice Aid – coming soon
 - Provides **nonauthoritative** guidance and FAQs on auditing matters as developed by the AICPA staff
- Reporting
 - 2021 engagements
 - Filed with Treasury
 - [Alternative Compliance Examination Report User Guide](#) (August 2022)
 - 2022 engagements
 - Filed with Federal Audit Clearinghouse
 - [Instructions](#)

ACE Engagements – Latest Developments

- AICPA Practice Aid – helpful draft FAQs
 - Is a not-for-profit (NFP) subrecipient that received SLFRF funding from a pass-through entity eligible for an ACE engagement?
 - No. Only recipients receiving SLFRF directly from Treasury (including NEUs) are eligible for the alternative compliance examination engagement. In this situation, the NFP is a subrecipient and not a direct recipient.

ACE Engagements – Latest Developments

- AICPA Practice Aid – helpful draft FAQs (cont.)
 - During its fiscal year 2022, Small City, an NEU, expended \$1 million of its \$5 million total direct SLFRF funding from XYZ state. It also expended \$100,000 of separate SLFRF funding received from XYZ state as a subrecipient and \$200,000 from an HHS grant. Is Small City eligible for the SLFRF alternative compliance examination engagement?
 - Yes. Small City's total SLFRF award of \$5 million received as an NEU is below the \$10 million standard allowance. Further, its other federal funding, of \$300,000 (not including its direct SLFRF award funds of \$1 million) is less than \$750,000.

ACE Engagements – Latest Developments

- AICPA Practice Aid – helpful draft FAQs (cont.)
 - During its fiscal year 2022, Small City, an NEU, expended \$1 million of its \$5 million total direct SLFRF funding from XYZ state. It also expended \$850,000 of separate SLFRF funding received from XYZ state as a subrecipient and \$250,000 from an HHS grant. Is Small City eligible for the SLFRF alternative compliance examination engagement?
 - No. Small City's total SLFRF award of \$5 million received as an NEU is below the \$10 million standard allowance. However, its other federal funding (not including its direct SLFRF award funds), is \$1.1 million which is greater than \$750,000. Therefore, a full single audit would be required.

ACE Engagements – Latest Developments

- AICPA Practice Aid – helpful draft FAQs (cont.)
 - Can a recipient that is required by state law to have a financial statement audit still be eligible for the SLFRF alternative compliance examination engagement?
 - Yes, assuming the recipient meets the eligibility requirements. The fact that the entity has a separate financial statement audit requirement has no bearing on the entity's eligibility for the alternative compliance examination engagement.

ACE Engagements – Latest Developments

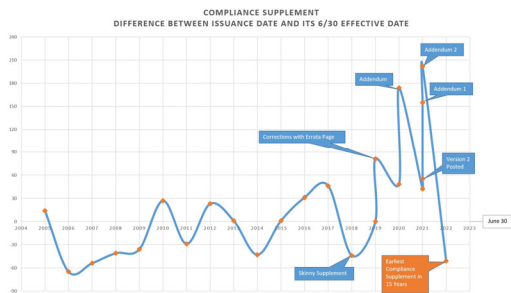
- AICPA Practice Aid – helpful draft FAQs (cont.)
 - What are the preconditions for the SLFRF alternative compliance examination engagement?
 - AT-C sections 105, 205 and 315
 - include items such as practitioner independence, appropriateness of the subject matter, and the responsible party takes responsibility for the underlying subject matter.
 - Additionally, the Compliance Supplement includes the following preconditions prior to accepting the engagement:
 - management can provide evidence that it meets the recipient eligibility criteria;
 - management accepts responsibility for the entity's compliance with the compliance requirements relevant to the compliance examination engagement and the entity's internal control over compliance; and
 - management evaluates the entity's compliance with the compliance requirements relevant to the compliance examination engagement.

2022 and 2023 Compliance Supplement

2022 Compliance Supplement

- Published May 11, 2022
 - Relatively early!
 - Result of significant collaboration and dialogue
- ERA is included in Part 4
- NO expected addenda for 2022
- Back on normal deadline schedule

2022 Compliance Supplement



2023 Compliance Supplement

- U.S. Office of Management and Budget adhering to aggressive schedule
- Efforts underway to revise Part Four content for Medicaid
- Discussions on performance reporting
- Expect new programs for IIJA (Transportation, Energy, possibly Interior)
- Desire to correct discrepancies within the supplement

Legislative and Regulatory Issues: Infrastructure Investment and Jobs Act (IIJA)



Infrastructure Investment and Jobs Act (IIJA)

- [H.R. 3684](#) – signed into law on November 15, 2021
 - Provides \$1.2 trillion for transportation and infrastructure spending
 - \$550 billion for new investments and programs
 - \$176 billion for roads, bridges and railways
 - \$1.3 billion for state and local cybersecurity grant program
 - NGA [tool](#) shows programs (existing and new) receiving funding
 - SLFRF funds may be used to meet non-federal match requirements of authorized Bureau of Reclamation projects and certain broadband deployment projects
 - [OMB M-22-12](#) and [Fact Sheet](#) (April 29, 2022)



74

Legislative and Regulatory Issues: Other Issues



Unique Entity Identifier (UEI)

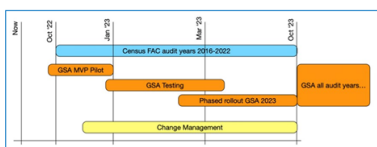
- The new Unique Entity Identifier (UEI) is [here](#)
 - Use of DUNS number ended on April 4, 2022
 - Entities must begin using a UEI (a 12-digit number)
 - UEI number is generated in the System for Award Management (SAM.gov)
 - If you are registered with SAM, UEI has already been assigned and located in your entity registration record
 - [Guide to Getting a Unique Entity ID](#)
 - Applies to both prime and subrecipients
 - Look up [function](#)

Unique Entity Identifier (UEI)

- Single Audit issues
 - DUNS number is referenced in the 2021 Compliance Supplement
 - Notably, is a key element to testing FFATA reporting
 - Data Collection Form includes optional entry of the DUNS number
 - Also provides information on when there are multiple DUNS
 - Will built-in edit checks be included in DCF to keep forms from being completed erroneously?

Transition of Federal Audit Clearinghouse

- Transitioning from U.S. Census to GSA
- Originally scheduled for October 1, 2022
- DELAYED to October 1, 2023
- FY '22 reports will be submitted to existing FAC



Transparency Issues

FFATA, DATA, GREAT Act



GREAT Act

- *Grant Reporting Efficiency and Agreements Transparency Act of 2019*
 - [H.R. 150](#)
 - Signed by President on December 30, 2019
- Effective Date
 - Various



GREAT Act

- Requirements:
 - a. Establish government-wide data standards for information related to federal awards reported by **recipients** of federal awards (within 2 years)
 - b. Issue guidance to grant-making agencies on how to utilize new technologies and implement new data standards into existing reporting practices with minimum disruption (within 3 years)
 - c. Use data standards for all future information collection requests by federal awarding agencies (within 1 year after guidance on b. or c.)
 - d. Amends the Single Audit Act to provide for **grantee audits** to be reported in an electronic format consistent with the data standards (guidance to be issued within 3 years)
 - e. Enable the collection, public display and maintenance of Federal award information as a government-wide data set (within 5 years)



GREAT Act

- How the GREAT Act Changes Single Audit Requirements
 - [United States Code, Title 31, Section 7502](#)
 - (h) The non-Federal entity shall transmit the reporting package in an **electronic form** in accordance with the data standards established under chapter 64 and, which shall include the non-Federal entity's **financial statements**, schedule of expenditures of Federal awards, corrective action plan defined under subsection (j), and auditor's reports developed pursuant to this section, to a Federal clearinghouse designated by the Director, and make it available for public inspection ...

Financial Data Transparency Act (S 4295) – NEW!

- Possible amendment to the FY23 National Defense Authorization Act
 - Similar bill passed House in October 2021 (HR 2989)
 - Requires financial regulatory agencies (including MSRB for government issuers) to adopt data standards so that data is machine readable
 - Data standards not yet developed
 - Current projects ongoing in FL and MI
 - S&L issuers concerned about cost and federal overreach

Government Auditing Standards

Upcoming Yellow Book Revision

- Targeted for 2023-24
- Focus on revising Quality Control Standards with Quality Control Management Concepts
- Potential guidance on key audit matters in reports

Government Auditing Standards

- Quality Management and Yellow Book
 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

Government Auditing Standards

- Consideration for Application Guidance on “Key Audit Matters”
 - Use is currently optional
 - Guidance would focus on “Key Audit Matters” in the government environment
 - A point of discussion with the Yellow Book Advisory Council

Where to Find the Yellow Book and Alerts

- The Yellow Book and Audit Alerts are available on GAO’s website at:
 - www.gao.gov/yellowbook
 - Now available in [digital format](#)
- For technical assistance, contact yellowbook@gao.gov or (202) 512-9535



Standards for Internal Control in the Federal Government



Upcoming Green Book Revision

- Targeted for 2023 or 2024
 - Last revision was in 2014
- Overall focus on specific governmental internal control risks
- Likely to be an expansion or elaboration of the existing Green Book



Green Book Revision

- Expected Areas of Focus:
 - Fraud Prevention
 - Actions to reduce the risk of fraud
 - Program Payments
 - Focus on New Programs, Emergency Payments
 - Cyber and IT Security
 - Continued high risks associated with these areas

Where to Find the Green Book

- The Green Book is available on GAO's website at:
 - www.gao.gov/greenbook
 - GAO-14-704G
- For technical assistance, contact GreenBook@gao.gov or (202) 512-9535



AICPA Current Issues

Effective Dates of New ASB Standards

Standard	Description	Effective date
SASs		Audits of financial statements for:
134	Auditor reporting and amendments	Periods ending on or after December 15, 2021
135	Omnibus – certain changes to conform to PCAOB standards	Periods ending on or after December 15, 2021 (Except amendments to AU-C 930 – effective for interim periods of fiscal years ending on or after December 15, 2021)
136	Auditor reporting on employee benefit plans	Periods ending on or after December 15, 2021
137	Other Information included in annual reports	
138	Amendments to the description of materiality	
139	Amendments to AU-C 800, 805, 810 for auditor reporting changes	
140	Amendments to AU-C 725, 730, 935, and 940 for auditor reporting changes Amendments to AU-C 930	Periods ending on or after December 15, 2021 (Except amendments to AU-C 930 – effective for interim periods of fiscal years beginning on or after December 15, 2021)
141	Deferral of effective dates for SAS 134-140	Effective upon issuance

Effective Dates of New ASB Standards (cont.)

Standard	Description	Effective date
SASs		Audits of financial statements for:
142	Audit evidence	Periods ending on or after December 15, 2022
143	Auditing accounting estimates and related disclosures	Periods ending on or after December 15, 2023
144	Use of specialists and use of pricing information	
145	Risk assessment	Periods beginning on or after December 15, 2025
146	Quality Management for Engagements	
147	NOCLAR	Periods ending on or after December 15, 2022

AICPA Ethics Interpretations

- [State and Local Government Client Affiliates](#)
 - Final issued on June 13, 2019
 - Effective for years beginning after December 15, 2021
 - COVID-19 delayed for one year
 - Supersedes "Entities included in State and Local Government Financial Statements" at ET 1.224.020
 - [Implementation Guide](#) from the AICPA
- [Responding to Noncompliance With Laws and Regulations](#)
 - Final issued on March 21, 2022
 - Effective June 30, 2023
 - New ET 1.180.010 and 2.180.010
- [Compliance Audits](#)
 - Currently being examined

Other Emerging Issues

Things on the radar...



Environmental, Social and Governance (ESG)

- SEC
 - Issues [proposed rule](#) in March 2022 to expand and enhance ESG disclosures
- MSRB
 - Issues RFI on [Public Perspectives on ESG Practices](#)
- What's next for:
 - Accounting issues
 - Financial statements and note disclosures
 - Auditing issues
 - What will be the scope of the auditor's work?
 - AICPA issues a Practice Aid on [Consideration of ESG-Related Matter in an Audit of Financial Statements](#)



These continue to be
interesting times...



**Questions or
Comments**

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