

# **MSBO Business Manager/CPA Workshop**

**Early Bird Session**

**Governmental Audit And Accounting Update**

**June 5, 2024**

Presented by  
Eric Formberg, CPA, CGFM  
Retired Partner, Plante Moran

# Topics

- Information to help plan 2024 school audits
- Summary of activities of standard-setting bodies and regulators
- Other updates, best practices, and tips
- Resources for audit quality
- Focus on school specific applications

# Early Bird Session Summary

GASB 101 – compensated absences, for 2025!

GASB 100 – dealing with “change”

Funding Cliff – ESSER funding schedule to run out 9.30.24

State funding – slowing – maybe 2.5% increase in foundation?

Federal Grants

- ESSER funding coming to a close – are you ready?
- Compliance Supplement to be issued by early June ...2024 (surprise ESSER not high risk)
- DCF filing on GSA site

Audit Risk (SAS 145/148) this year, risk assessment changes will change audit processes

MDE

- CNC – do not report excess FB as a finding, impact of new MI funding
- Davis Bacon – are federal grants doing “construction”
- Period of Performance – grant accounting as ESSER comes to an end
- (Many) More Categoricals= more accounting and more restricted use funding

...Just in case!

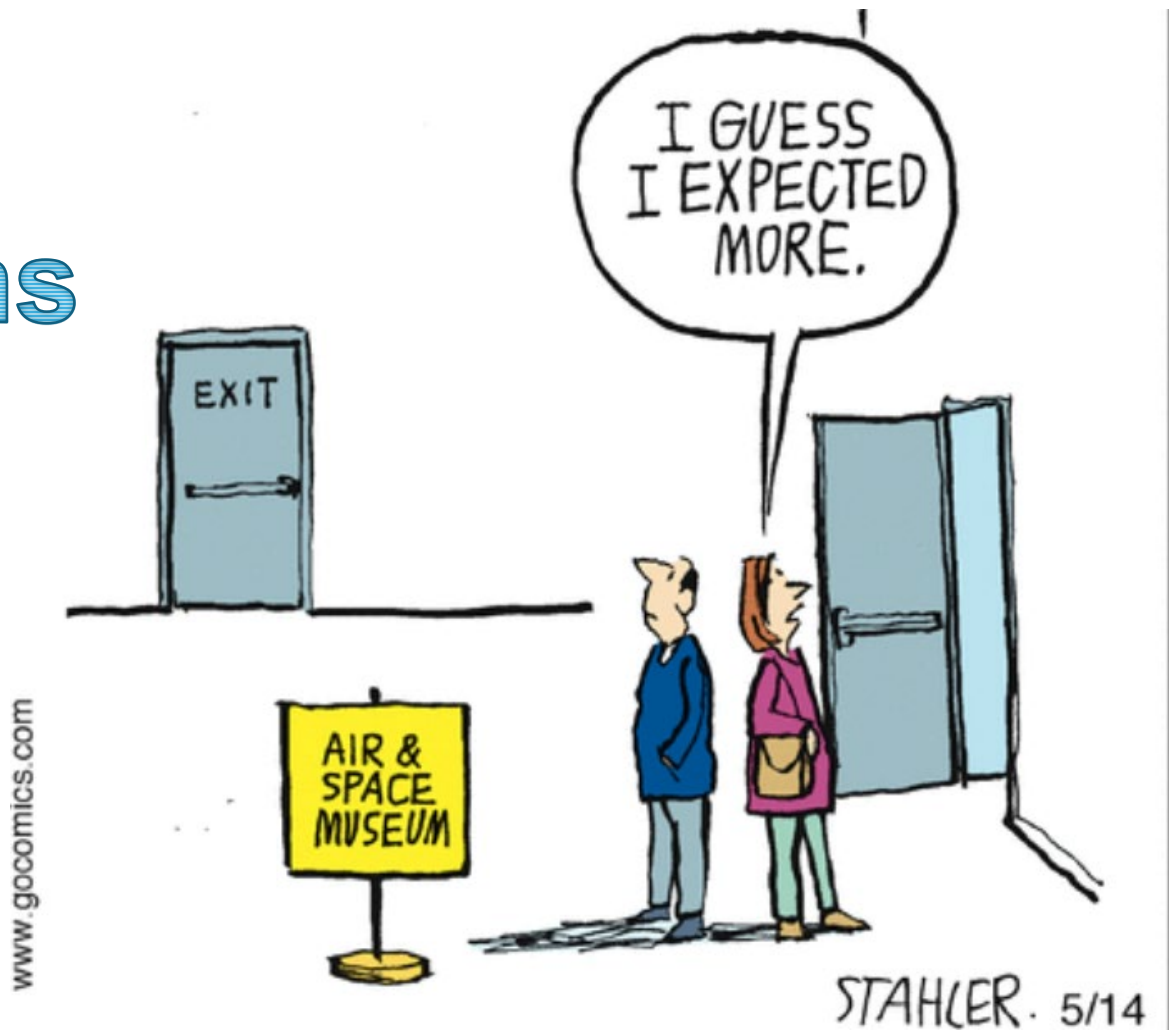


# Terminology and Abbreviations

ALN	Assistance Listing Number	GAS-SA Guide	AICPA Audit Guide, <i>Government Auditing Standards</i> and Single Audits
APA	Availability Payment Arrangement	GSA	General Services Administration
		IRS	Internal Revenue Service
CFR	Code of Federal Regulations	OMB	Office of Management and Budget
CU	Component Unit	PPP	Public-Private and Public-Public Partnerships
DCF	Data Collection Form	PTE	Pass-Through Entity
ED	Department of Education	SBITA	Subscription-Based Information Technology Arrangement
F/S	Financial statements	SCA	Service Concession Arrangement
FAC	Federal Audit Clearinghouse	SEFA	Schedule of Expenditures of Federal Awards
FRE	Financial Reporting Entity	SFA	Student Financial Assistance
GAQC	Governmental Audit Quality Center	UEI	Unique Entity Identifier
GAS	<i>Government Auditing Standards</i>	UG	Uniform Guidance

# Effect of Current Environment on School District Audits

# 2024 Expectations



# Current Environment - Setting the Stage - Financial Statement Audits



Funding cliffs due to COVID-19 funding winding down



Revenue recognition considerations related to grant and categorical funds



Accounting estimates



New accounting and AICPA auditing standards



Changing economic and legal landscape



Staffing resource challenges

# Current Environment - Setting the Stage - Single Audits

Historic federal funding continues resulting in increased risk

- New IIJA programs and funding added to existing programs
  - Impact on school districts?
- COVID-19 funding continues to be spent (although winding down)
- Some programs will still be considered “higher risk” in 2024 audits which impacts major program determination
- Federal focus on oversight, accountability, and transparency

New Uniform Guidance regulation

FAC transition to GSA resulting in new submission approach and need for staff education (2024 first year submitting using a “normal” approach)

Staffing resource challenges



# Impact of Staff Resource Issues on Governmental Audits

## Public School Districts

- Challenges with internal control
- Segregation of duties issues
- Accounting and federal funding expertise lacking
- School funding knowledge gaps

## Auditors

- Ensuring competency on engagements
- Potential independence issues (e.g., performing management functions)
- Workload compression for staff having governmental expertise/delayed audits

# Public Sector CPA Resources Project

Part of AICPA pipeline effort focusing specifically on CPA resources in government and the CPA firms that audit them

Joint effort with the National Association of State Auditors Comptrollers and Treasurers

Information gathering efforts complete (e.g., focus groups, surveys)

Final report including findings and recommendations expected in summer 2024

In short – fewer students electing accounting, and public accounting firm career path

# Public Sector CPA Resources Project

Survey data initial results– public sector staff

- Lack of competitive compensation package
- Level of technical governmental expertise required
- Outdated and/or complicated hiring policies
- Lack of workplace flexibility (remote working, flexible hours)
- Plus – fewer public accounting professionals electing public education as a career option

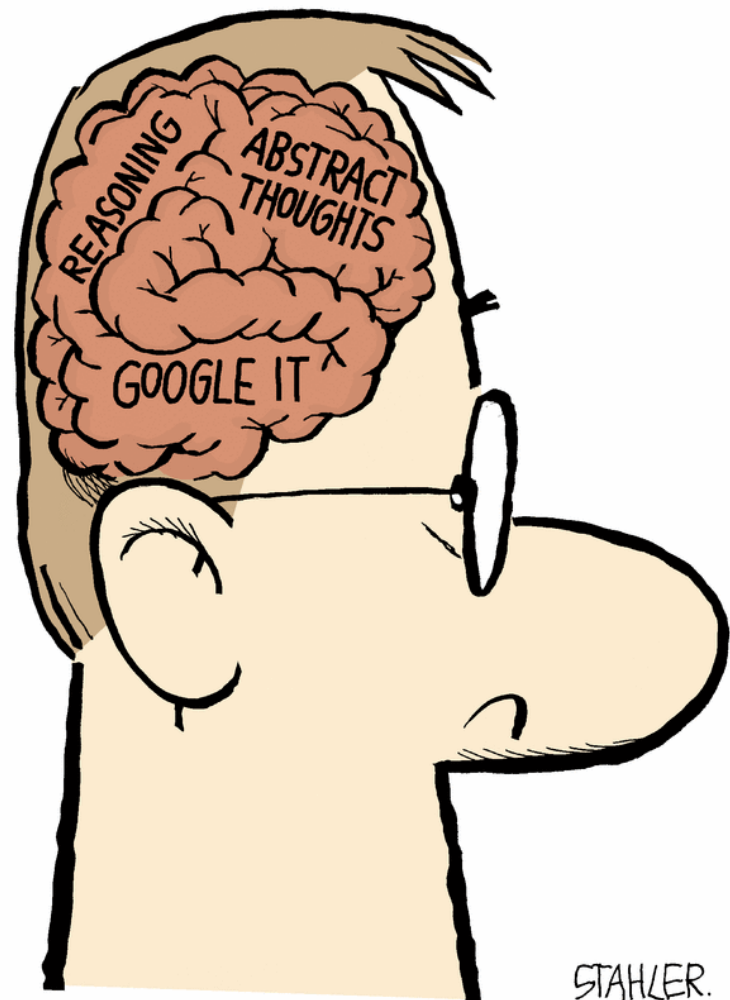
# Public Sector CPA Resources Project

Survey data initial results– public accounting firms electing service to public sector

- The budget for audit fees is not sufficient
- Technical governmental expertise required of auditor
- The governmental procurement process required to engage the CPA firm is problematic
- Plus – for K12 audits, other options for client service in the summer months

# Technical Update

*How do you make  
sense of governmental  
accounting and  
auditing?*



# Overview of Technical Updates

- AICPA (EAQ, Peer Review, Ethics, ASB)
- GAO (Yellow Book)
- Single audits developments (*Compliance Supplement*, pandemic funding, FEMA, HHS, SFA, common quality deficiencies, FAC, etc.)

# AICPA EAQ - 2024 Areas of Focus



**Risk assessment**



**Quality  
management**



**Single audit**



**SOC 2  
Engagements**



**Technology-  
enabled auditing**



# AICPA Peer Review - Checklists of Interest to Governmental Auditors

Section	Title	Date
20,500	Governmental Audit (F/S audit)	05/2023
20,600	Not for Profit Audit (F/S audit)	05/2023
22,100	Single Audit (Parts A and B)	4/2022*
4,400A	2018 Yellow Book - Quality Control	10/2020
22,080	HUD (related to for-profit audits)	10/2021
22,110A	2018 Yellow Book - Audits	10/2020
22,120A	Yellow Book - Attestation Engagements and Reviews	10/2020

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

**Access [AICPA peer review checklists](#).**

# AICPA - Peer Review - Resources

Available on

[www.aicpa.org/interestareas/peerreview.html](http://www.aicpa.org/interestareas/peerreview.html)

- [Peer Review Standards](#)
- [Reviewer alerts](#)
- [PR prompts newsletter](#)
- [Peer Review FAQs](#)
- [Reviewer training](#)
- [Examples of matters](#) noted in peer reviews
  - A good place to scan to identify potential focus areas in the firm

# AICPA Ethics - Recent Issuances

## NOCLAR

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

## Compliance Audits

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

## Fees

- ET 1.230.030, 1.230.040, 1.210.010, and 1.224.010
- Two new and two revised interpretations
- Effective January 1, 2025
- [Official release](#)
- [JofA article](#)

## Public Interest Entities

- ET 0.400
- Effective December 15, 2023, and December 15, 2024
- Effective January 1, 2025
- [Official release](#)
- [JofA article](#)

## Key question:

How will these changes be built into the firm's audit documentation and independence assessments?

# AICPA Ethics - NOCLAR

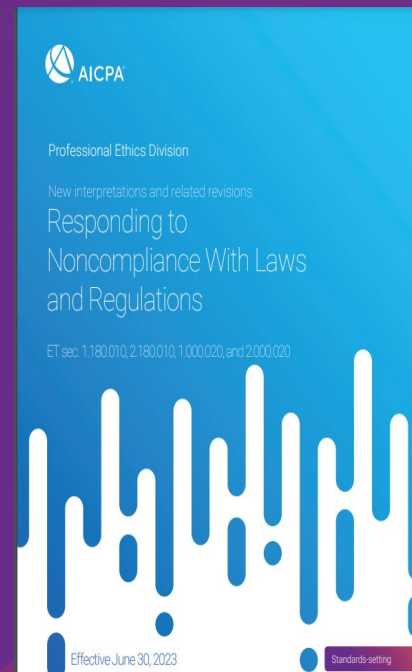
Establishes a member's responsibilities when encountering noncompliance or suspected noncompliance with laws and regulations

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

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

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

**Effective June 30, 2023, with early implementation allowed.**



# AICPA Ethics - Compliance Audits

New definitions: 1) Compliance audit; and 2) Compliance audit client ([access related Q&As](#))

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

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

**COMING SOON!**

**Compliance  
Audits:**

**Independence  
Navigator**

**[PEEC Projects](#)**

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

# AICPA Ethics - Other Resources

## Online Ethics Library

- Access the library at: <https://pub.aicpa.org/codeofconduct/Ethics.aspx>
  - Professional Code of Conduct
  - Ethics Questions and Answers
  - Basis for Conclusions (related to Ethics interpretations)
  - Enforcement Information
  - Plain English Guide to Impedence
  - Case Studies

## Other Ethics Resources

- [AICPA Professional Ethics Web page](#)
- [“Ethically Speaking” Podcasts](#)
- Summary of [Common Deficiencies](#) in Governmental and NFP audits
- Tool - [Independence Rules Comparison: AICPA and Government Auditing Standards](#)
- Interactive Decision Tree - [Responding to Noncompliance with Laws and Regulations](#)

# AICPA ASB - Recent Auditing Standards

SAS No:	Description:	Effective for audits of F/S (or compliance) for:
<a href="#"><u>143</u></a>	Auditing accounting estimates and related disclosures	Periods ending on or after December 15, 2023
<a href="#"><u>144</u></a>	Use of specialists and use of pricing information	
<a href="#"><u>145</u></a>	Risk assessment	
<a href="#"><u>146</u></a>	Quality Management for Engagements	Periods <u>beginning</u> on or after December 15, 2025
<a href="#"><u>147</u></a>	NOCLAR	Periods <u>beginning</u> on or after June 30, 2023
<a href="#"><u>148</u></a>	Amendments to AU-C 935, <i>Compliance Audits</i>	Split to be consistent with SAS 142 (Audit Evidence) and SAS 145, depending on specific amendment
<a href="#"><u>149</u></a>	Group Audits	Audits of group financial statements for periods ending on or after December 15, 2026.

**Pink = Effective; Gray = Not Yet Effective**

# SAS No. 143, *Auditing Accounting Estimates and Related Disclosures* (effective 6.30.24 K12)

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

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

Requires a **separate assessment of inherent risk and control risk**

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

Addresses the exercise of professional skepticism when auditing accounting estimates

Read relevant [“At a Glance”](#) article

Intended to enable auditors to appropriately address the increasingly complex scenarios (CECL) and spectrum of IR that arise from new accounting standards that include estimates



## SAS No. 144, *Amendments to AU-C Sections 501, 540, and 620*

Amendments relate to **the use of specialists and the use of pricing information** obtained from external information sources

Adapts PCAOB Appendices on pricing sources

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

Read relevant "[At a Glance](#)" article.

# *SAS 145, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatement (effective 6.30.24 K12)*

Will enable auditors to appropriately address the following:

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



Gee...I thought I knew how  
to audit!!!!



"OKAY, LORETTA, I GIVE UP ...  
LET ME SEE THE INSTRUCTIONS."

# Key Risk Assessment Concepts

Perform risk assessment procedures (inquiries, analytical procedures, observation, and inspection)

- Obtain an understanding of the following:
  - Entity and its environment (e.g., structure, governance, business model, industry, regulatory, and performance measures)
  - Applicable financial reporting framework (e.g., US GAAP or special purpose framework)
  - System of internal control (five components, similar to COSO and GAO's Green Book)

Identify and assess financial statement level and assertion level risks; revise as appropriate

**Key Q:** how should this process be designed for K12 Fs and SA audits?

**Risk assessment concepts are principles based and methodology agnostic; it is a dynamic and iterative process**

# Summary of Notable Changes

New and revised risk assessment terminology and concepts, including significant risks

Clarified work effort related to understanding each of the components of internal control, including enhanced guidance on information technology

“Sufficient, appropriate” evidence tied to risk assessment procedures

Several new requirements:

- Separately assess inherent risk and control risk

- “Maximum” control risk when controls are not tested for operating effectiveness

- Risk assessment “stand-back” when material classes of transactions, account balance, disclosure not assessed as significant.

**Clarified requirements related to evaluating the design and determining the implementation of controls**

# Scalability

Shift to **focusing on the complexity** of the entity more so than its size

Level of complexity in the nature of the entity and its financial reporting is the primary driver of scalability in applying SAS No. 145

Impacts nature, timing, and extent of risk assessment procedures to obtain required understanding to identify and assess risks

Impacts content and extent of audit documentation

Application material **incorporates considerations specific to both less and more complex** entities

**Key question:** How will risk assessments for public school audits change?

**Exercise professional judgment in applying the requirements, considering the complexity of the entity**

# New and Revised Risk Assessment Terminology and Concepts

Inherent risk factors

Spectrum of inherent risk

Significant class of transactions, account balance, or disclosure

Relevant assertion and reasonable possibility

Significant risk

**Consideration was given to extant AU-C Section 315 as well as AU-C Section 940, *An Audit of Internal Control Over Financial Reporting That Is Integrated With an Audit of Financial Statements***

# New and Revised Risk Assessment Terminology and Concepts

Inherent risk factors discussion

May be qualitative or quantitative and include:

Complexity, Subjectivity, Change, Uncertainty, Susceptibility to misstatement from management bias/other fraud risk factors, SCOTABD (Significant class of transactions, acct balance, disclosures)

Focus is on assertions and risk of material misstatement for each element evaluated

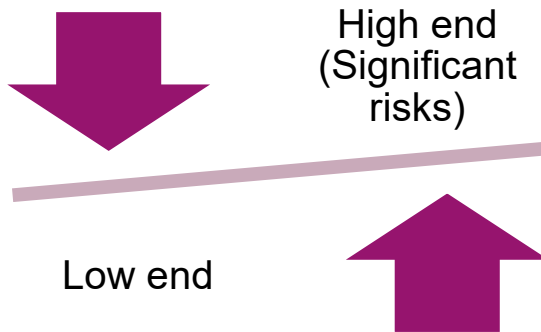
**Key q** – Is it a reasonable possibility that the risk of material misstatement is more than remote?

A reasonable possibility that a risk of material misstatement exists when the likelihood of a material misstatement occurring is more than remote



# Spectrum of Risk

## Concept of spectrum of risk



## Amended definition of significant risks

**Key SD Q:** Where are the Higher End Risks? What is the response?

**Significant risk:** An identified risk of material misstatement:

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

## *SAS No. 148, Amendments to AU-C section 935 (effective 6.30.24 K12)*

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

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

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

Effective dates align with SAS 142 and SAS 145; Changes in Appendix are already effective (to align with SAS 142) and the rest of the standard is effective for audits of periods ending on or after December 15, 2023.

# SAS No. 148 - Reminders, Clarifications, and Changes Regarding Risk Assessment

The concept of a **significant risk does not apply**

Identified controls for which the auditor evaluates design and determines implementation differ from financial statement audit

- Do not include controls over significant risks
- **Include controls required to be tested for operating effectiveness** by the governmental audit requirement

**Inherent risk and control risk are assessed for each applicable compliance requirement**

- Inherent risk takes into account inherent risk factors
- If controls are not tested for operating effectiveness, control risk is at the maximum level

Document identified and assessed risks and rationale for significant judgments

Refer to the Appendix of AU-C 935 to understand requirements in GAAS that do not apply to compliance audits.

# Risk Assessment - Help for Auditors

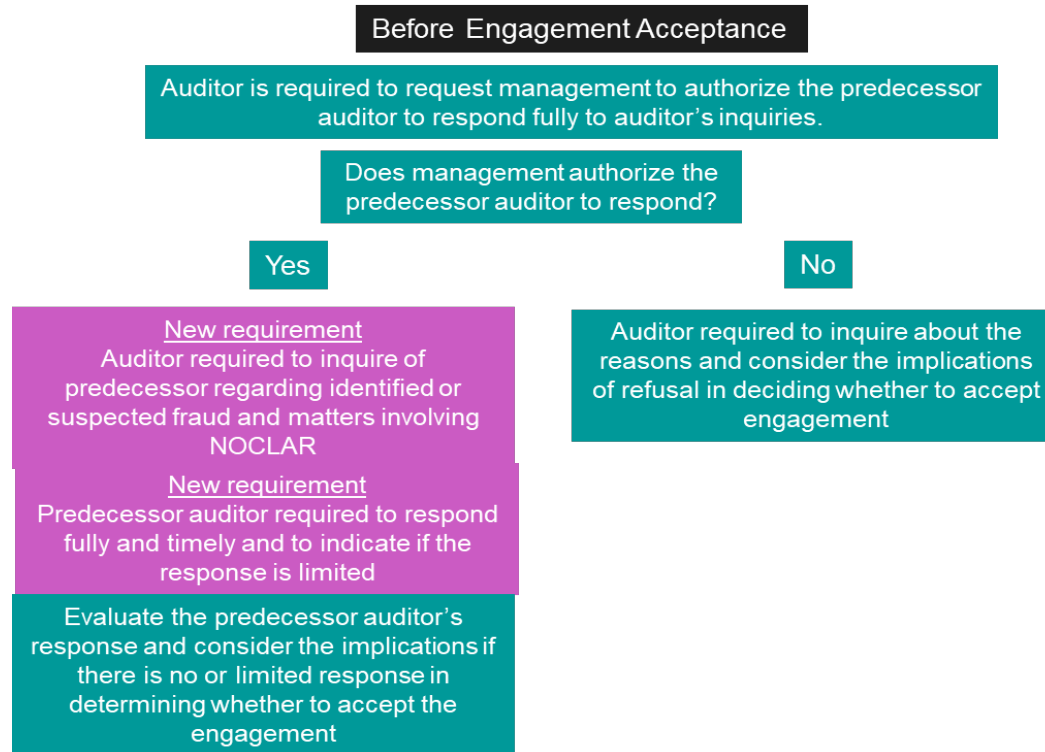
## Audits of SLG F/S

- 2023 edition of the AICPA SLG Guide included both guidance relevant to the extant risk assessment standards and a new chapter addressing the new risk assessment standards
- 2024 edition will include additional changes throughout to address updated risk assessment terminology. Expected in the summer of 2024. Addresses industry specific risks applicable to governments. (ex opinion units)
- Listen to 2-hour GAQC Web event, [Implementing the Risk Assessment Standards in Your State and Local Government Financial Statement Audits](#)

## Single Audits

- 2024 edition of the AICPA GAS-SA Guide will address needed changes for risk assessment. Expected in the summer of 2024.
  - Changes will closely align to revisions in SAS No. 148
  - Primarily will impact chapters on single audit (chapters 6, 9, 10, and 11)

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



# Statements on Quality Management Standards

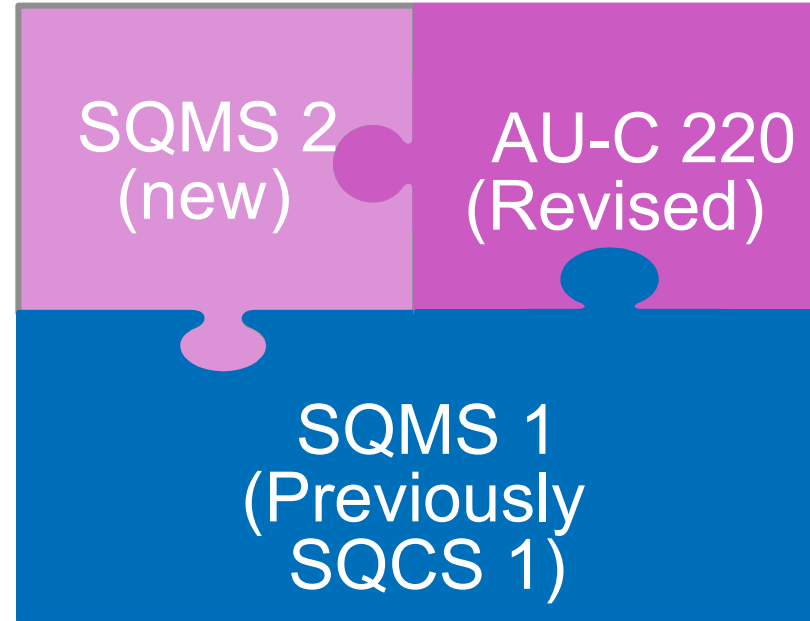
SQMS 1, *A Firm's System of Quality Management*

SQMS 2, *Engagement Quality Reviews*

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

Related conforming amendments (SQMS 3)

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



# Understanding Effective Dates



# SQMS 1 - Key Changes



New **risk-based approach** focused on **quality management tailored** to the firm's **circumstances**



**Revised components** of the system of quality management, including information and communication



**More robust** leadership and governance requirements



**Enhanced** monitoring and remediation process



**New!** Requirements for networks and service providers



# Implementing SQMS - Tips for the Journey

1. Gain an understanding of the standards (see next slide for resources)
2. Develop a plan for implementation
3. Perform risk assessment (including a brainstorming session(s))
4. Perform a gap analysis
5. Design and implement new responses for those risks that are not addressed
6. Prepare documentation
7. Establish process for ongoing monitoring and remediation
8. Evaluate new system

**Key Q** – what is the Firm's plan for adopting the quality management standards?

# Quality Management Resources

[Quality Management Resource Web page](#)

Free [practice aids](#) (one for sole practitioner and one for small/medium sized firms)

[Crosswalk between SQMS No. 1 and SQCS No. 8, as amended](#)

[Firm checklist to guide your quality management system](#)

[Webinar series](#)

[Self study course](#)

# GAO - Yellow Book - 2024 Revision Issued

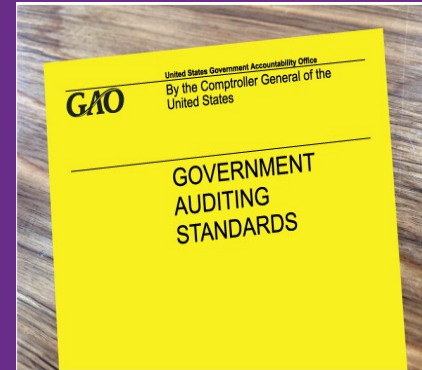
New Chapter 5 titled, Quality Management, Engagement Quality Reviews, and Peer Review

Clarifies when the concept of reporting key audit matters, previously introduced in AICPA auditing standards, might apply

Effective date aligns with AICPA's SQMS standards

- Effective for financial audits, attestation engagements and reviews of financial statements for periods beginning on or after December 15, 2025.
- Early implementation is permitted

[Access the standards](#)



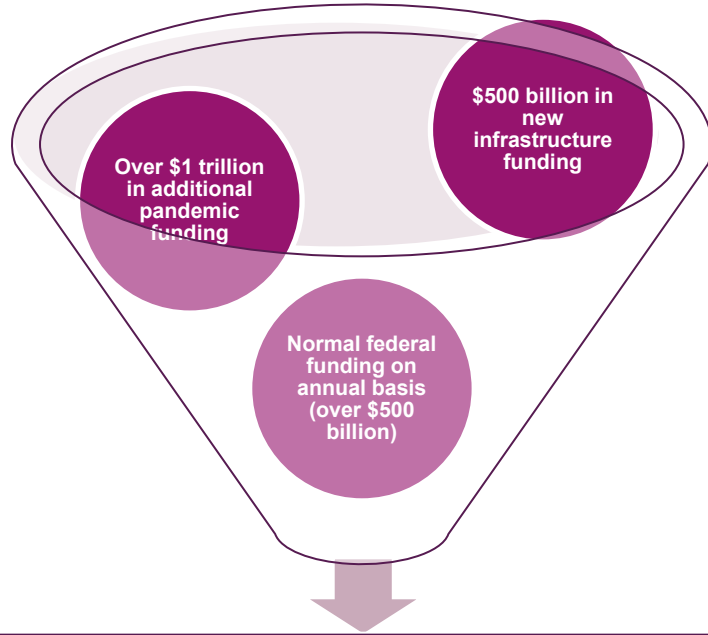
# Yellow Book - 2024 Revision Issued

Nongovernment audit organizations subject to the [AICPA's quality management standards](#) should comply with those quality management requirements, as well as several specific additional requirements as follows:

- If an engagement is terminated before it is completed and an audit report is not issued, a requirement to document the results of the work to the date of termination and why the engagement was terminated.
- If auditors change the engagement objectives during the engagement, a requirement to document the revised engagement objectives and the reason for the changes.
- Quality objectives relevant to resources should address that auditors performing work in accordance with the YB meet its CPE requirements.



# Single Audit - Significant Stress in System Continues



Year	# Single Audits*
2019	37,290
2020	39,796
2021	44,027
2022	43,302

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

# Expectations for 2024 *Compliance Supplement*

2024 Compliance Supplement just issued

Approximately 15 new programs and one new cluster

Changes to many other programs including:

- Performance reporting updates
- Changes to compliance requirements subject to audit
- Changes due to law or regulation updates
- Changes to introduce IIJA provisions
- News flash - ESF (ESSER) NO LONGER High Risk.

Part 3 minimal changes

- BABA section in the Procurement, Suspension and Debarment requirement may be revised

## **CAUTION!**

Information on 2024 Supplement is based on most recent vett drafts the GAQC has reviewed.

Review final Supplement closely and attend June GAQC event to learn more about the final changes.

# Expectations for 2024 *Compliance Supplement*

Will continue to include listing of higher risk programs in Appendix IV; programs that may be included:

Assistance Listing (CFDA) Number	Title
93.778/93.777/93.775	Medicaid Cluster
21.023	Emergency Rental Assistance
21.027	Coronavirus State and Local Fiscal Recovery Funds
15.252	Bipartisan Infrastructure Law (BIL) Abandoned Mine Land (AML) Grants

Appendix IV has been renamed to “Higher Risk Designation.” This Appendix will remove the previous list of programs which have “Other Information” sections in Part IV of the Supplement.

**CAUTION!** 2024 Supplement JUST RELEASED and a full review by GAQC not yet complete.

Review final Supplement closely and attend June GAQC event to learn more about the final changes.

# Single Audit - Pandemic Funding Update

Winding down, but still in play for many recipients

The largest and most pervasive programs remaining are:

- CSLFRF (ALN 21.027)
- ERA (ALN 21.023)
- ESF (ALN 84.425)
- PRF (ALN 93.498)

Be aware that recipient compliance and reporting guidance continues to be updated by agencies for these programs (e.g., [CSLFRF FAQs](#), [ERA FAQs](#), and [PRF FAQs](#) all recently updated)

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





# Single Audit - FEMA Disaster Grants - ALN 97.036

SEFA recognition confusion particularly when States place additional requirements on the funding

- 2024 *Compliance Supplement* will add clarity
- FEMA has informed us that they may refer to the award date as the obligation date; however, while these two terms have slightly different technical meanings, the obligation and award occur simultaneously for public assistance awards and subawards
- Even considering above, FEMA awards are considered pass-through (and not direct) when a state agency is used to disburse the funds.

SEFA implications of disallowances

Duplication of Benefits (costs able to be covered by other grants)- FEMA reviews

Other Information (excerpt from upcoming 2024 Supplement)

*“Nonfederal entities must record expenditures on the Schedule of Expenditures of Federal Awards (SEFA) when (1) FEMA has approved the nonfederal entity’s Project, and (2) the nonfederal entity has incurred the eligible expenditures. **FEMA’s approval of a subaward is indicated when FEMA obligates the federal share of the eligible project cost to the recipient.** Federal awards expended in years subsequent to the fiscal year in which the Project is approved are to be recorded on the nonfederal entity’s SEFA in those subsequent years.”*

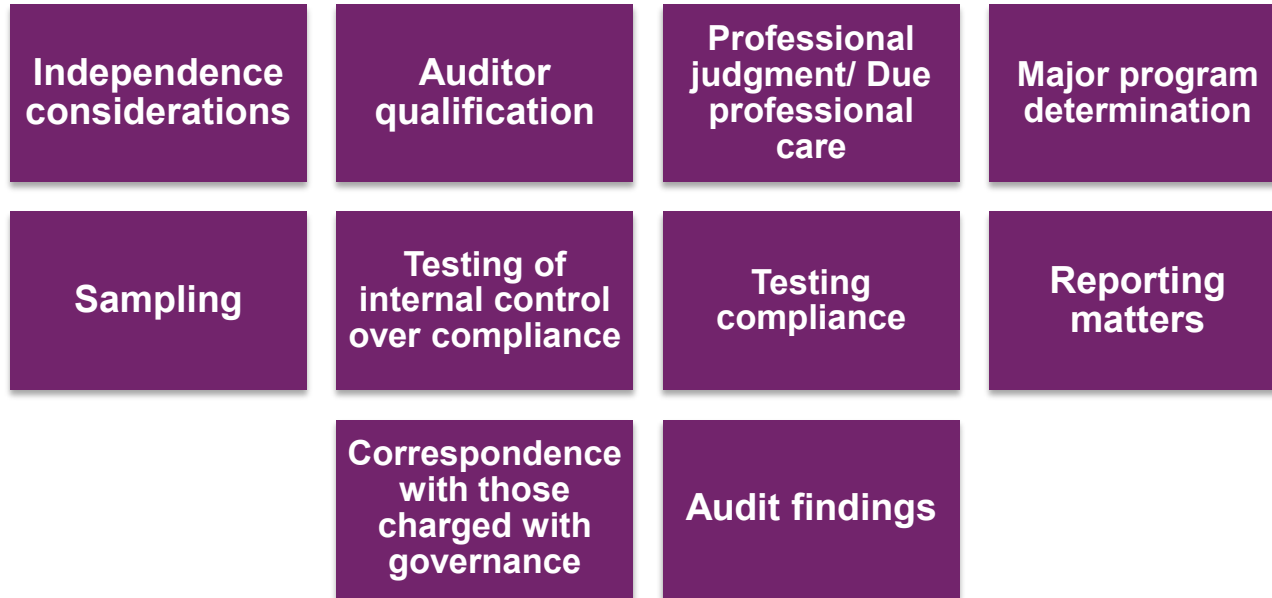
WARNING...

It might not be exciting....

But the results could keep  
you on the edge of your  
seat!



# Single Audit - Common Audit Quality Findings from Peer Review, Ethics and the HHS-OIG Desk Reviews



For a deep dive into single audit quality findings and how to avoid them, watch the GAQC archived event:

[What Federal Agencies are Finding in Single Audit QCRs](#)

Harder Q – what do we do right?

Action Item – this area needs even more attention!

# Common Findings from Peer Review, Ethics and the HHS-OIG Desk Reviews - Independence

- Inadequate documentation of independence considerations including SKE, threats to independence and their significance, and safeguards performed to address a significant threat
- The audit documentation did not support that the auditor applied the GAGAS conceptual framework approach to independence.
- The audit documentation did not support whether or not the auditor identified any threats to independence.
- Evaluation of performance of nonaudit services not documented
- Nonaudit services identified not consistent between engagement letter, independence analysis documentation and management representation letter
- Lack of proper identification of management's SKE
- Documented management's SKE in place of safeguards
- Did not identify preparation of F/S as a significant threat

## Common Findings from Peer Review, Ethics and the HHS-OIG Desk Reviews - Auditor Qualifications

- The audit organization did not maintain CPE documentation for each individual auditor as required by the Yellow Book.
- The audit organization did not maintain a 2-year-period CPE cycle for its auditors performing the GAGAS engagement as required.
- The CPE documentation did not support that the Yellow Book CPE requirements were met for each individual auditor involved in the GAGAS engagement.

# Common Findings from Peer Review, Ethics and the HHS-OIG Desk Reviews - Major Program Determination

- Incorrect identification of an auditee as low-risk
- Inaccurate calculation of Type A/B thresholds
- Incorrect determination of large loan programs and failing to exclude them from the Type A threshold calculation
- Designating Type A programs as other than low-risk with no support for such determination
- Not documenting auditor's judgement and analysis for determination of Type B programs as high-risk or other than high-risk
- Including a program on the SEFA when it should not have been with an impact to % of coverage (errors in % of federal funding of timing of inclusion on the SEFA)
- Not treating sub-programs within the ESF program as one program or treating it as a cluster of programs
- Identifying a Type A ESF program as low-risk because it was audited last year with no issues noted even though the program was designated as "higher risk" in the applicable Supplement and is 100% COVID-19 funded

# Common Findings from Peer Review, Ethics and the HHS-OIG Desk Reviews - Sampling

- Inadequate sample sizes
  - not following applicable guidance
  - dual-purpose
- Incomplete populations
- Sample selection methodologies
- Incorrect sampling units
- The sample selected for the testing of internal controls was not the appropriate size based on the assessed level of control risk.
- A sampling plan was not documented.
- The basis for deviations from the sampling plan was not documented.
- Samples taken from incomplete populations
- Samples selected from samples
- Block sampling
- Performing interim testing and not extending the sample for the remainder of the year

# Look to the GAQC for Help in Areas Commonly Identified as Having Quality Issues

- [Independence in Yellow Book Audits and Other Ethics Related Updates](#)
- [Nonaudit Services under the 2018 Yellow Book](#)
- [Commonly Asked Yellow Book Questions](#)
- [Major Program Determination](#)
- [Compliance Requirements and Internal Control over Compliance](#)
- [Evaluating and Reporting Findings in a Single Audit](#)
- [Overview of Sampling and Single Audit Reporting Requirements](#)



# AICPA Audit Guide, Government Auditing Standards and Single Audits

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

2024 update expected in eBook and online subscription this summer

Key changes:

- Conforming changes relevant to SAS 148 and risk assessment
- Updates to certain pandemic funding information
- Updates for FAC changes



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

# Single Audit - FAC

GSA took over the FAC from the U.S. Census Bureau on October 2, 2023, and is accepting:

- Single audits with periods ending in 2023 and 2024
- Single audits of other periods that were not submitted as required to Census before October 1, 2023
- Resubmissions (do not make a misstate!)

GAQC continues to identify transitional issues impacting auditors and to ensure they are addressed

While still work to be done, things have been improving

Note: last step is District certification. Districts must be “ready” to “click the button”

Key action item: **READ THE DIRECTIONS!**

# Single Audit - FAC

No current submission waivers in effect

- Last OMB waiver OMB related to 2023 submissions with fiscal periods ending between January 1, 2023, and September 30, 2023, whereby OMB waived the 30-day aspect of the submission requirement (2 CFR 200.512(1))
- **Remember** – due 30 days after issuance or 9 months, which ever is shorter. If LATE, **cannot** be a low risk auditee in 2025.

The new FAC is not able to accept submissions for alternative compliance examination engagements relating to the CSLFRF program

- ACEE engagements are to be submitted directly to Treasury ([see CSLFRF Project and Report Expenditure User Guide](#) for details beginning page 79)

# Single Audit - FAC

Need assistance?

- The GSA FAC [single audit submission resources page](#) is a good place to start
- A detailed [submission guide](#) is available that will walk you through creating a login.gov account, completing the required workbooks, certifying the information, and making the submission
- Updates on items GSA working on can be found at: <https://www.fac.gov/info/updates>
- FAC Help Desk: <https://support.fac.gov/hc/en-us>



# Single Audit - UG Revisions - Effective Date

The effective date stated in the FR notice is October 1, 2024

The memo to federal agencies further discusses effective date and the implementation of the new regulation.

- Instructs that federal agencies must take appropriate steps to ensure that the new Uniform Guidance is effective for all federal awards issued on or after October 1, 2024.
- States that federal agencies may elect to apply the new Uniform Guidance to federal awards issued prior to October 1, 2024, but they are not required to do so.

Effective date for changes impacting the audit

OMB is working on an implementation Q&A to address key questions.

# Single Audit - UG Revisions - Auditors

The threshold for audit increases from \$750K to \$1 million.

The Type A threshold increases to \$1 million and the amount of awards expended for which it applies is increased from \$25 million to \$34 million.

The questioned costs definition is revised, and examples have been provided to help provide further clarification.

Relating to audit findings, when an amount of questioned costs is "undetermined" or "not reported," the auditor will have to explain why.

Throughout subparts A - E of the regulation the use of the term non-federal entity has been replaced with recipient and/or subrecipient.

- Subpart F, Audit Requirements, retains the non-federal entity term to align with the Single Audit Act.

# Single Audit - UG Revisions - Auditee

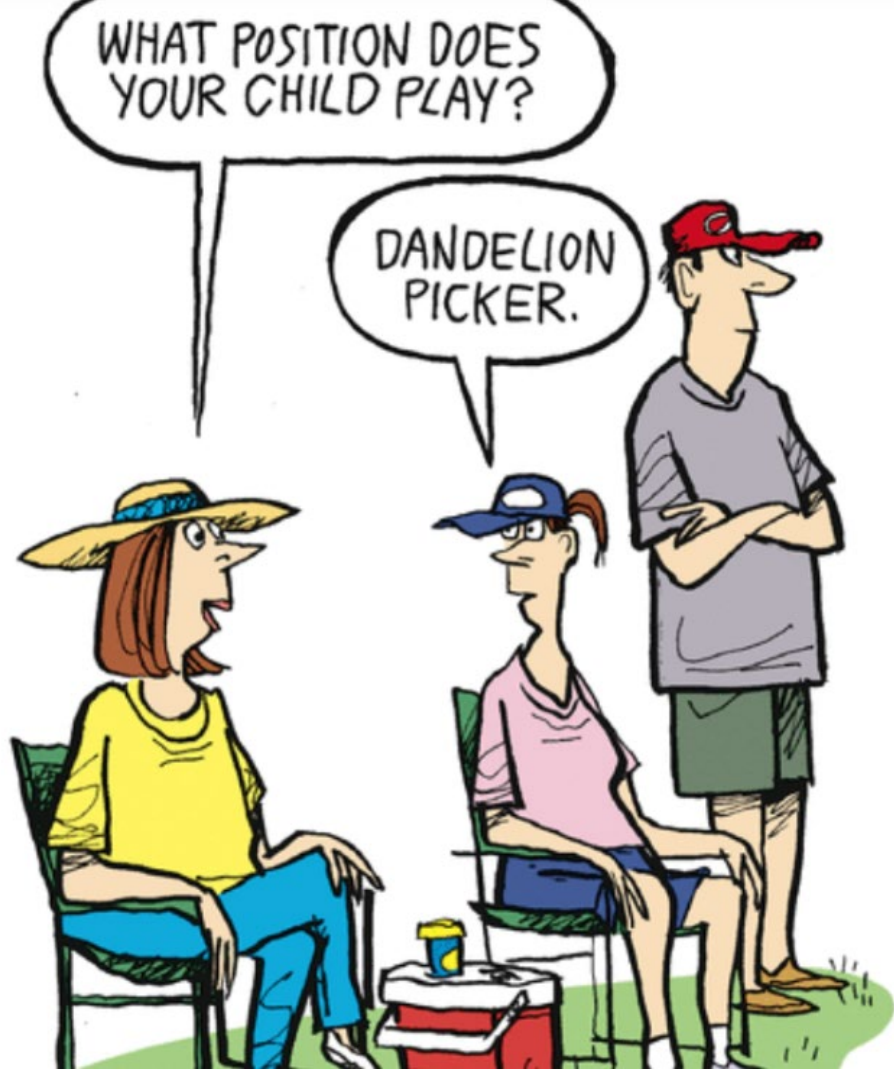
The following are a few examples:

- Revises the template text for a Notice of Funding Opportunity
- Raises the de minimis indirect cost rate from 10% to 15%
- Removes the requirement that indirect cost rates be available on a governmental website
- Raises equipment and supply thresholds from \$5,000 to \$10,000 (how will MDE respond to this change)
- Modifies and expands many definitions such as period of performance and questioned costs
- Modifies the definition of “Modified Total Direct Costs” to exclude subaward costs above \$50,000
- Removes prior written approval for 10 items of cost
- Revises areas of the cost principles including clarification of pension costs

Public School  
Financial Statement  
Audit Developments



Everyone's role  
is important!!



# GASB Standards Tracker

## Reporting periods ending 6/30/2024

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

## Reporting periods ending 12/31/2024

- GASB Statement No. 101, *Compensated Absences*

## Reporting periods ending 6/30/2025

- GASB Statement No. 102, *Certain Risk Disclosures*

# GASB Upcoming Issuances

## 2024

- Final: Financial Reporting Model
- Final: Classification of Nonfinancial Assets
- ED: Subsequent Events
- PV/ITC: Going Concern Uncertainties and Severe Financial Stress
- PV/ITC: Infrastructure Assets

## 2025

- ED: Revenue and Expense Recognition
- Final: Subsequent Events

## 2026

- ED: Going Concern Uncertainties and Severe Financial Stress
- ED: Infrastructure Assets

## 2027

- Final: Going Concern Uncertainties and Severe Financial Stress
- Final: Infrastructure Assets
- Final: Revenue and Expense Recognition

# SLG F/S Accounting and Auditing Developments

- GASB Statement No. 100
- GASB Statement No. 101
- Other areas being monitored by SLG Expert Panel
  - Financial Data Transparency Act (FDTA - relevant to municipal securities issuers, establishing the data standards to be applied to financial disclosures )
  - Inflation Reduction Act Credits
  - Environmental, Social, and Governance (ESG)
  - Digital Assets
  - Opioid Settlements

Key  
Focus  
Areas



*Key to success....*

*Planning your  
time wisely!*

# Auditing Implications: GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*

- Effective for fiscal years beginning after June 15, 2023
- Provides accounting and financial reporting guidance for
  - Accounting changes
  - Error corrections
- Addresses the required disclosures and provides illustrative note disclosures
  - Includes disclosures regarding a change in major funds reported
- Clarifies how information that is affected by a change in accounting principle or error corrections should be presented in RSI and SI



# Auditing Implications: GASB Statement No. 101, *Compensated Absences*

- Effective for fiscal years beginning after December 15, 2023
- Requires that liabilities for compensated absences be recognized for -
  - leave that has not been used
  - leave that has been used but not yet paid in cash or settled through noncash means
- Liability recognized when leave -
  - Is attributable to services already rendered (performed services required to earn leave)
  - Accumulates (be used for time off or otherwise paid or settled in a future period)
  - Is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means
- Leave more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences
- Certain types of compensated absences are not recognized until the leave commences, including parental leave, military leave, and jury duty leave



# Auditing Implications: GASB Statement No. 101, *Compensated Absences*

- Some Implications
  - Size of liability likely increases
  - Report net change from beginning of year to end of year (vs gross adds and deletes as currently required)
  - Methodology will change for identification of liability and valuation method
  - Method revisions likely for each labor contract
  - New assumptions must be made and applied to computations
  - Above must be available for auditor evaluation during the 2025 year end audit.





# Auditing Implications: Leases (year 3), SBITA (Year 2)

- Some Implications and reminders
  - Nothing new this year!
  - Key action items:
    - Update last year's list
    - Identify new agreements
    - Evaluate new agreements for applicability
    - Value agreements
    - Update list with “material” agreements identified
    - Create journal entries
    - Update disclosure
    - Provide support and conclusions to the auditor
  - Key take aways
    - Don't forget this
    - if it was immaterial last year, it does not mean the additions will be immaterial this year!



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

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

2024 edition expected Summer 2024

Key changes made:

- Fully implemented SAS Nos. 143 - 145
- Newly effective GASB Statement Nos. 99, 100, and 101



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

# MDE topics

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# MDE A&A items

School Accounting Manual – a few key changes for 2023/24 expected. Guidance being finalized for GASB 101 and certain categoricals

## A & A Alert

- To be issued near end of May 2024
- Format provides links to authoritative content
- Audit filings due November 1, 2024
- Audit filings would include reporting/disclosure requirements from updated bond and sinking fund guidance
- Reminder display bonus and entitlement commodities on separate lines on SEFA
- Focus on Davis Bacon and extent of findings reported in 2023 (primarily ESSER)
- Food service
  - excess fund balance, **not** required to be reported as a finding, auditors requested to include a management letter comment
  - Paid lunch equity generally not needed to be computed, depending on fund balance size at 12.31.22
  - State funding for food service will change: revenue structure of fund, performance of fund, audit approach to fund

# MDE A&A items

## A & A Alert (cont)

- E-rate – Draft 2024 Compliance Supplement does NOT include program as federal assistance for single audit. E-rate **not subject to single audit**
- Listing of issues from audit reviews
- Reminders – Deficit Fund Balance, Early Warning, transfer limitations from GF, MOE calculations, communication requirements if certain actions are identified by the auditor

# MDE A&A items

## School Audit Manual

- Posting expected near end of May 2024, changes not expected to be significant
- NOT updated for 2024 Compliance Supplement
- Provides listing of programs funded under ESF
- Outlines responsibilities when suspected fraud or embezzlement is identified
- Sample sefa layout, with key highlights
- Program overviews for each of the key MDE pass thru programs. CNC section has several charts and tables that can be helpful in audit testing
- Reminder – Includes a pupil count confirmation request to be used to document scope of pupil count audit and verification of count.

# MDE A&A items

## Uniform Budgeting & Accounting Act

- Compliance with the Uniform Budgeting & Accounting Act is required by MCL 141.437, Sections 17-20.
- MDE has instituted a zero tolerance for violations of the UB&AA.
- Meaning - any variance in total revenues, expenditures, or other financing sources/uses that results in a reduction in the budgeted ending fund balance will generate a letter of follow-up by the Office of Financial Management.
- Review report prior to filing to determine if a letter is “possible”. If so, “prepare” so the District is not surprised, and response is planned.

# MDE A&A items

## Upcoming FID Changes – FY24 Reporting

- ”Instructional expenditures are consistent with previous year” warning check has been removed
- Two-year phase-in of expanded School Code requirement to Functions 21x and 22x in response to new federal reporting requirements (School Level Finance Survey, completed by MDE)
  - FY24: Warning for School Code missing from Function 21x and 22x expenditures, will not prevent submission
  - FY25 and following: Error for School Code missing from Function 21x and 22x(?) expenditures, will require correction before submission
  - Feedback from districts on burden of reporting 22x Functions at school-level passed to USED/Census, may not end up being required (TBD 2025)



# Technical Resources

- GAQC
- AICPA
- MDE

Moderately Confused by Jeff Stahler

*Remember to use all  
the tools at your disposal!!*



GAQC Web Site ([www.aicpa-cima.com/topic/government](http://www.aicpa-cima.com/topic/government))

Key areas to check out and/or bookmark:

- [GAQC Alert Archive Library](#)
- [Archived GAQC Web events](#)
- [Illustrative Auditor's Report Resource Center](#)
- [OMB Compliance Supplement Resource Center](#)
- [Single Audit Resources](#)



# GAQC Resources

## Auditees

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

Other GAQC resources for auditees

- [Procuring Governmental Services](#)
- [Tips for organizations subject to single audit requirements](#)
- [Getting Ready for a Single Audit](#)
- [FAQs for Organizations Needing a Single Audit](#)

## Auditors

- Access GAQC 4-part 8-hour [Single Audit Fundamentals Events](#) (CPE offerings offered periodically)
- Practice Aid, [Government Auditing Standards Primer](#)
- [Single audit tips for auditors](#)
- [Smart Sampling in a Single Audit](#)
- [Tackling Internal Control Over Compliance in a Single Audit](#)

# Major Program, Sampling, and SEFA Resources

Chapter 7, *Determination of Major Programs*, of the [AICPA GAS-SA Guide](#)

Chapter 8, *Schedule of Expenditures of Federal Awards*, of the [AICPA GAS-SA Guide](#)

Archived GAQC Webcast, [Single Audit Fundamentals Part 2: Major Program Determination](#)

GAQC Practice Aid, [Reporting of Certain COVID-19 Awards on an Accrual Basis SEFA](#)



# Other AICPA Resources

## [Audit and Assurance](#)

A&A Technical Hotline (877) 242-7212  
[techinquiry@aicpa.org](mailto:techinquiry@aicpa.org)

## [Ethics Division](#) (including AICPA Ethics Code)

Ethics Hotline (877) 777-7077  
[ethics@aicpa.org](mailto:ethics@aicpa.org)

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

## [Quality Management resources](#)

## [Peer Review](#)



# MDE resources

## FID User Guide

[https://www.michigan.gov/documents/cepi/FID\\_User\\_Guide\\_555010\\_7.pdf](https://www.michigan.gov/documents/cepi/FID_User_Guide_555010_7.pdf)

### Full instructions on uploads and reporting

- File format examples

## FID Frequently Asked Questions

[https://www.michigan.gov/cepi/-/media/Project/Websites/cepi/FID/FID\\_FAQs.pdf?rev=16439396e8b84b19b34b8b3c6567968c&hash=D48CAADF1929F61C335FBEF465E72B2A](https://www.michigan.gov/cepi/-/media/Project/Websites/cepi/FID/FID_FAQs.pdf?rev=16439396e8b84b19b34b8b3c6567968c&hash=D48CAADF1929F61C335FBEF465E72B2A)

- Resource to assist with unsuccessful uploads, errors, etc.
- Updated with new FY24 categoricals

## Michigan Public School Accounting Manual

<https://www.michigan.gov/mde/services/financial-management/state-aid/publications/michigan-public-school-accounting-manual>

- Chart of Accounts (Appendix) and other guidance
- Change Notices

## Accounting for State School Aid Revenues

<https://www.michigan.gov/mde/-/media/Project/Websites/mde/OFM/State-Aid/Bulletin-1022/saacct03.pdf>

## School Audit Manual and Risk Alert

<https://www.michigan.gov/mde/services/financial-management/audits>

# Key Take Aways

Federal Grants still a big deal – but trend toward the traditional programs

- Funding cliff - HERE
- Unique audit risks related to end of period of performance
- 2024 Compliance Supplement JUST RELEASED – review carefully
- Future changes to UG will impact single audits next year

GASB actions having significant impact

- Past - Leases, SBITA
- Future – corrections, comp absences, new reporting model

Audit Standards

- NEW focus on risk assessment and audit evidence documentation
- Quality Management will require changes in how quality is approached!

Understanding “relevance”



# Questions and Discussion

