

State of Montana

Department of Administration

Auditing Update

May 6-7, 2014

GERRY BOAZ, CPA, CGFM

TECHNICAL MANAGER

DIVISION OF STATE AUDIT

JERRY E. DURHAM, CPA, CGFM, CFE

ASSISTANT DIRECTOR

***DIVISION OF LOCAL GOVERNMENT
AUDIT***

TENNESSEE COMPTROLLER OF THE TREASURY

GERRY BOAZ, CPA, CGFM

- GERRY HAS BEEN WITH THE TENNESSEE COMPTROLLER OF THE TREASURY, DIVISION OF STATE AUDIT, SINCE JANUARY 1995. HE IS A CERTIFIED PUBLIC ACCOUNTANT AND A CERTIFIED GOVERNMENT FINANCIAL MANAGER (CGFM). HE WAS A LEGISLATIVE STATE AUDITOR FOR FIVE YEARS BEFORE BECOMING STATE AUDIT'S TECHNICAL MANAGER. AS THE TECHNICAL MANAGER, HE IS PRIMARILY RESPONSIBLE FOR MONITORING GASB, FASB, AICPA, OMB, AND GAO ACCOUNTING, AUDITING, AND COMPLIANCE STANDARDS RELATING TO FINANCIAL STATEMENT AND FINANCIAL-RELATED AUDITS. HE REVIEWS FINANCIAL STATEMENT AUDITS FOR ADHERENCE TO THE ABOVE PRINCIPLES AND STANDARDS, AS WELL AS TO AICPA AUDITING STANDARDS. HE SERVES AS A REPRESENTATIVE OF THE NATIONAL ASSOCIATION OF STATE AUDITORS, COMPTROLLERS, AND TREASURERS (NASACT) BY OBSERVING AND WRITING AN ACCOUNT OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) MEETINGS.
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- HE SERVED AS A MEMBER OF THE GOVERNMENT FINANCE OFFICERS ASSOCIATION'S (GFOA) COMMITTEE ON ACCOUNTING, AUDITING, AND FINANCIAL REPORTING (CAAFR) FOR TWO THREE-YEAR TERMS (2004-2009) AND SERVES ON THE SPECIAL REVIEW COMMITTEE FOR ITS CERTIFICATE OF ACHIEVEMENT PROGRAM. HE REPRESENTS STATE AUDIT ON THE NATIONAL STATE AUDITORS ASSOCIATION'S SINGLE AUDIT COMMITTEE AND AUDITING STANDARDS AND REPORTING COMMITTEE (ASRC). HE IS ALSO AN ACTIVE MEMBER IN THE ASSOCIATION OF GOVERNMENT ACCOUNTANTS (AGA). HE WAS PRESIDENT OF THE NASHVILLE AGA CHAPTER FOR THE 2006-07 PROGRAM YEAR. HE CURRENTLY IS SERVING IN HIS THIRD YEAR AS THE CHAIR OF AGA'S PROFESSIONAL CERTIFICATION BOARD (PCB). HE HAS BEEN A MEMBER ON THE PCB SINCE JULY 2007. HE IS ALSO A 2011 ALUMNI OF THE TENNESSEE GOVERNMENT EXECUTIVE INSTITUTE.

JERRY E. DURHAM, CPA, CGFM, CFE

- *JERRY IS AN ASSISTANT DIRECTOR FOR THE STATE OF TENNESSEE, COMPTROLLER OF THE TREASURY, DIVISION OF LOCAL GOVERNMENT AUDIT. THE DIVISION HAS STATUTORY RESPONSIBILITY FOR AUDITS OF LOCAL GOVERNMENTS IN TENNESSEE. A 29-YEAR VETERAN OF THE DIVISION, JERRY HAS SERVED AS AN AUDITOR, AUDIT SUPERVISOR, TRAINING INSTRUCTOR, TECHNICAL MANAGER, AND ASSISTANT DIRECTOR. JERRY IS A CERTIFIED PUBLIC ACCOUNTANT (CPA), CERTIFIED GOVERNMENT FINANCIAL MANAGER (CGFM), AND A CERTIFIED FRAUD EXAMINER (CFE). IN HIS ROLE AS ASSISTANT DIRECTOR, HE IS RESPONSIBLE FOR DEVELOPING PROFESSIONAL COMPLIANCE PROCEDURES AND MONITORING THE DIVISION'S QUALITY PERFORMANCE UNDER GASB, AICPA, OMB, AND GAO ACCOUNTING AND AUDITING STANDARDS. JERRY ALSO HAS RESPONSIBILITY FOR THE SUPERVISING THE CONTRACT REVIEW PROCESS WITHIN THE DIVISION. MOST RECENTLY, JERRY ASSISTED THE DIVISION IN IMPLEMENTING THE NEW CLARITY STANDARDS. IN ADDITION, JERRY TEACHES TRAINING CLASSES FOR THE TENNESSEE DEPARTMENT OF AUDIT (YELLOW BOOK AND AUDIT FINDINGS) AND HAS MADE TRAINING PRESENTATIONS FOR SEVERAL OTHER PROFESSIONAL ORGANIZATIONS INCLUDING THE TENNESSEE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS; TENNESSEE GOVERNMENT FINANCE OFFICERS ASSOCIATION; NATIONAL ASSOCIATION OF STATE AUDITORS, COMPTROLLERS AND TREASURERS; ASSOCIATION OF GOVERNMENT ACCOUNTANTS; COUNTY TECHNICAL ASSISTANCE SERVICE; SOUTHEASTERN INTERGOVERNMENTAL AUDIT FORUMS, AND VARIOUS COUNTY OFFICIAL'S ASSOCIATIONS. HE HAS SERVED THE NATIONAL STATE AUDITORS ASSOCIATION EXTERNAL PEER REVIEW PROGRAM AS A REVIEWER, TEAM LEADER, AND CONCURRING REVIEWER AND SERVES ON THE SPECIAL REVIEW COMMITTEE FOR GFOA'S CERTIFICATE OF ACHIEVEMENT FOR EXCELLENCE IN FINANCIAL REPORTING PROGRAM. JERRY HAS ALSO PROVIDED TRAINING FOR THE NEW YORK CITY COMPTROLLER'S OFFICE AND STATE AUDITORS IN KENTUCKY, MINNESOTA, NORTH DAKOTA, IDAHO, AND NORTH CAROLINA. IN ADDITION TO THESE DUTIES, JERRY CURRENTLY SERVES ON THE STATE'S INTERAGENCY CASH FLOW COMMITTEE WHICH OPERATES UNDER THE AUTHORITY OF THE TENNESSEE STATE FUNDING BOARD.*

- *JERRY WAS A PARTNER IN THE ACCOUNTING FIRM OF CROSTHWAITE DURHAM AND ASSOCIATES. HE ALSO SERVED AS CONTROLLER FOR RURAL HEALTHCARE OF AMERICA, INC., AND TAUGHT ACCOUNTING AS A MEMBER OF THE ADJUNCT FACULTY FOR COLUMBIA STATE COMMUNITY COLLEGE AND AUSTIN PEAY STATE UNIVERSITY.*

- *JERRY RECEIVED HIS ACCOUNTING DEGREE FROM THE UNIVERSITY OF TENNESSEE AT MARTIN. HE IS A MEMBER OF THE AMERICAN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS (AICPA); THE ASSOCIATION OF GOVERNMENT ACCOUNTANTS (AGA) WHERE HE SERVES AS CHAIR OF THE CGFM COMMITTEE FOR THE NASHVILLE CHAPTER; THE TENNESSEE GOVERNMENT FINANCE OFFICERS ASSOCIATION (TGFOA) WHERE HE SERVES AS STATE LIAISON TO THE BOARD OF DIRECTORS; AND THE ASSOCIATION OF CERTIFIED FRAUD EXAMINERS (ACFE). JERRY IS ALSO A GRADUATE FROM THE TENNESSEE GOVERNMENT EXECUTIVE INSTITUTE (TGEI) WHICH IS A TRAINING PROGRAM FOR GOVERNMENT LEADERS THROUGH THE UNIVERSITY OF TENNESSEE.*

- *JERRY IS MARRIED AND HAS THREE CHILDREN AND TWO GRANDCHILDREN.*

The Opinions expressed during this presentation are our own. They do not necessarily represent the views of the Comptroller, his representatives, or the Department of Audit.



ARRA REPORTING

OVER!!!!

ARRA REPORTING

- **RATB & GATB NEWS UPDATE**

- **RATB**

- THE MISSION OF RATB IS “TO PROMOTE ACCOUNTABILITY BY COORDINATING AND CONDUCTING OVERSIGHT OF RECOVERY FUNDS TO PREVENT FRAUD, WASTE, AND ABUSE AND TO FOSTER TRANSPARENCY ON RECOVERY SPENDING BY PROVIDING THE PUBLIC WITH ACCURATE, USER-FRIENDLY INFORMATION.”
- UNDER THE CONSOLIDATED APPROPRIATIONS ACT OF 2012, THE BOARD'S AUTHORITY WAS EXPANDED TO INCLUDE OVERSIGHT OF ALL FEDERAL FUNDING. AND, UNDER THE DISASTER APPROPRIATIONS ACT OF 2013, THE BOARD WAS MANDATED BY CONGRESS TO USE ITS RESOURCES TO PROVIDE OVERSIGHT OF HURRICANE SANDY FUNDING.

ARRA REPORTING

- **RATB & GATB NEWS UPDATE**

- **RATB**

- IN JANUARY, PRESIDENT OBAMA SIGNED THE 2014 FEDERAL GOVERNMENT OMNIBUS SPENDING BILL. THE BILL INCLUDED A PROVISION ESSENTIALLY REPEALING SECTION 1512 OF THE AMERICAN RECOVERY AND REINVESTMENT ACT, WHICH MANDATED THAT RECIPIENTS OF ARRA CONTRACT, GRANT AND LOAN AWARDS REPORT QUARTERLY ON THE STATUS OF THOSE AWARDS. AS OF FEBRUARY 2014, RECIPIENTS ARE NO LONGER REQUIRED TO REPORT QUARTERLY. THE RECOVERY ACCOUNTABILITY AND TRANSPARENCY BOARD, IN COLLABORATION WITH THE U.S. OFFICE OF MANAGEMENT AND BUDGET, HAS POSTED THE FOLLOWING TIMELINE FOR RECIPIENTS AND AGENCIES TO REVIEW REPORTS AND MAKE CHANGES AND CORRECTIONS AS NEEDED.

ARRA REPORTING

- **RATB & GATB NEWS UPDATE**
- **JANUARY 30, 2014**
- FOURTH QUARTER 2013 DATA WAS POSTED ON RECOVERY.GOV
- **FEBRUARY 1 – MARCH 19, 2014**
- AGENCIES AND RECIPIENTS SHOULD REVIEW REPORTS ON FEDERALREPORTING.GOV AND MAKE CHANGES AND CORRECTIONS AS NEEDED. THOSE WITH QUESTIONS ABOUT HOW TO MAKE CHANGES SHOULD:
 - 1. READ THE FAQs ON FEDERALREPORTING.GOV FIRST
 - 2. DIRECT FURTHER QUESTIONS TO THE HELP DESK AT FEDERALREPORTINGHELPDESK@RATB.GOV
- AGENCIES AND RECIPIENTS CAN CONTINUE TO SUBMIT AUTOMATED DATA CHANGE (ADC) REQUESTS (SEE CHAPTER 16 OF THE USER GUIDE FOR INFORMATION)
- **FEBRUARY 12, 2014**
- FOURTH QUARTER 2013 NON-COMPLIANCE DATA IS POSTED ON RECOVERY.GOV

ARRA REPORTING

- **RATB & GATB NEWS UPDATE**
- THE EXTENDED QUALITY ASSURANCE PERIOD ENDS FOR RECIPIENTS AND AGENCIES
- RECIPIENTS WILL NO LONGER BE ABLE TO LOG INTO FEDERALREPORTING.GOV
- THE HELP DESK WILL CLOSE FOR RECIPIENTS
- **MARCH 20 - MARCH 31, 2014**
- AGENCIES SHOULD REVIEW RECIPIENTS' ADCS, AND RECONCILE AND CLOSE OUT AWARDS
- **MARCH 31, 2014**
- THE HELP DESK WILL CLOSE FOR AGENCIES
- **MAY 1, 2014**
- FINAL RECIPIENT DATA FROM FEDERALREPORTING.GOV IS POSTED ON RECOVERY.GOV. THE MAPS, CHARTS AND GRAPHS THAT DISPLAY THE RECIPIENT DATA WILL NOT BE UPDATED AGAIN.
- ADDITIONALLY, THE RATB HAS ISSUED A FREQUENTLY ASKED QUESTIONS DOCUMENT. THE FAQ PROVIDES GUIDANCE TO RECIPIENTS ON UPDATING, MAKING CHANGES AND FINALIZING REPORTS. THE DOCUMENT CAN BE OBTAINED AT [HTTPS://WWW.FEDERALREPORTING.GOV](https://www.federalreporting.gov).

GRANT REPORTING

- **GATB**

- THE **GOVERNMENT ACCOUNTABILITY AND TRANSPARENCY BOARD (GATB)** WAS CREATED BY EXECUTIVE ORDER IN JUNE 2011 TO “PROVIDE STRATEGIC DIRECTION FOR ENHANCING THE TRANSPARENCY OF FEDERAL SPENDING AND ADVANCE EFFORTS TO DETECT AND REMEDIATE FRAUD, WASTE, AND ABUSE IN FEDERAL PROGRAMS” AND TO BUILD ON THE LESSONS LEARNED FROM THE IMPLEMENTATION OF THE AMERICAN RECOVERY AND REINVESTMENT ACT. THE ELEVEN MEMBERS OF THE GATB WERE APPOINTED BY THE PRESIDENT FROM THE INSPECTORS GENERAL COMMUNITY, AGENCY CHIEF FINANCIAL OFFICERS OR DEPUTY SECRETARIES, AND THE OFFICE OF MANAGEMENT AND BUDGET.

GRANT REPORTING

- **GATB**

- RECENTLY THE GATB HELD ITS FIRST PUBLIC HEARING IN (JANUARY) TO SOLICIT FEEDBACK FROM INTERESTED PARTIES REGARDING THE BOARD'S AGENDA FOR THE COMING YEAR AND THE ONGOING WORK TO MAKE GOVERNMENT SPENDING INFORMATION MORE TRANSPARENT AND AVAILABLE TO THE PUBLIC. THE BOARD'S MISSION IS:
- TO IDENTIFY IMPLEMENTATION GUIDELINES FOR INTEGRATING SYSTEMS THAT SUPPORT THE COLLECTION AND DISPLAY OF GOVERNMENT SPENDING DATA, ENSURING THE RELIABILITY OF THOSE DATA, AND BROADENING THE DEPLOYMENT OF FRAUD DETECTION TECHNOLOGIES, INCLUDING THOSE PROVEN SUCCESSFUL DURING THE IMPLEMENTATION OF THE RECOVERY ACT.



GRANT REPORTING

BEGINNING!!!

ASB TECHNICAL AGENDA

Title	Supplementary Materials	Comment Due Date	Comments
Proposed Statement on Auditing Standards, <i>Amendment to Statement on Auditing Standards No. 122, Statements on Auditing Standards: Clarification and Recodification, Section 920, Letters for Underwriters and Certain Other Requesting Parties, as Amended</i>	Supplementary Document Showing the Proposed Amendments in the Context of the Entirety of AU-C Section 920	April 15, 2014	Letters of Comment
Proposed Statement on Standards for Attestation Engagements, <i>Subject-Matter Specific Attestation Standards: Clarification and Recodification</i>	Disposition of Paragraphs in Extant AT section 301, <i>Financial Forecasts and Projections</i> , in Chapter 5, "Financial Forecasts and Projections," of the Proposed Clarified Attestation Standards (Mapping) Disposition of Paragraphs in Extant AT section 401, <i>Reporting on Pro Forma Financial Information</i> , in Chapter 6, "Reporting on Pro Forma Financial Information," of the Proposed Clarified Attestation Standards (Mapping) Disposition of Paragraphs in Extant AT section 601, <i>Compliance Attestation</i> , in Chapter 7, "Compliance Attestation," of the Clarified Attestation Standards (Mapping)	May 27, 2014	Letters of Comment
Proposed Statement on Standards for Attestation Engagements, <i>Attestation Standards: Clarification and Recodification</i>	Mapping of Requirements in AT sections 20, <i>Defining Professional Requirements in Statements on Standards for Attestation Engagements</i> ; 50, <i>SSAE Hierarchy</i> ; 101, <i>Attest Engagements</i> ; and 201, <i>Agreed-Upon Procedures Engagements</i> (AICPA, <i>Professional Standards</i>), in the Proposed Statement on Standards for Attestation Engagements, <i>Attestation Standards: Clarification and Recodification</i>	October 24, 2013	Letters of Comment
Proposed Statement on Standards, <i>Using the Work of Internal Auditors</i>	Comparison of AU section 322 and AU-C section 610, <i>The Auditor's Consideration of the Internal Audit Function in an Audit of Financial Statements</i> , with Proposed Statement on Auditing Standards (SAS), <i>Using the Work of Internal Auditors</i> Mapping of AU section 322 and AU-C section 610 against the Proposed SAS	July 15, 2013	Letters of Comment

AICPA REVISED CODE OF CONDUCT

- APPLICABLE FOR CPAS (OF COURSE)
 - 3 FRAMEWORKS
 - PUBLIC PRACTICE (TYPE 1)
 - PRIVATE INDUSTRY / GOVERNMENT (TYPE 2)
 - RETIRED
 - GOVERNMENT AUDIT / YELLOW BOOK INDEPENDENCE FRAMEWORK INCLUDED IN THE CODIFICATION
 - STATUS - PENDING

AUDITING STANDARDS

- EFFECTIVE FOR FYE 6/30/14:
 - NONE.
- EFFECTIVE FOR FYE 6/30/16:
 - SAS 128, USING THE WORK OF INTERNAL AUDITORS

AUDITING STANDARDS

- **TWO DIFFERENT TYPES OF STANDARDS:**
 - GASB ACCOUNTING STANDARDS = GAAP
 - HOW DO I REPORT NUMBERS ON THE FINANCIAL STATEMENTS
 - LAW VS. GAAP
 - ASB/YELLOW BOOK AUDITING STANDARDS
 - HOW DO I PERFORM THE AUDIT OF THE NUMBERS

AUDITING STANDARDS

- **AUDITING STANDARD SETTERS:**

- HOW MANY?

- 1
- 2
- 3
- 4
- 5

ANSWER = 3 ?

AUDITING STANDARDS

- **STANDARDS SETTERS:**

- **AICPA/ASB = GENERALLY ACCEPTED AUDITING STANDARDS = GAAS**
- **GAO = GOVERNMENT AUDITING STANDARDS = YELLOW BOOK = GAGAS**
- **OMB = SINGLE AUDIT STANDARDS = A-133/NEW SUPERCIRCULAR STANDARDS**

AUDITING STANDARDS

- **STANDARDS SETTERS (CONT'D):**

- **IFAC/IAASB = INTERNATIONAL AUDIT STANDARDS = ISAS??**
- **PCAOB/SEC = STANDARDS FOR PUBLICLY TRADED COMPANIES = AS??**

AUDITING STANDARDS

- **WHY HAVE STANDARDS?**

- **WHAT IF AN INCH WAS NOT AN INCH OR A POUND WAS NOT A POUND?**
- **WHAT IF A SIZE 10 WAS REALLY A SIZE 2?**
- **WHAT IF CPAS COULD PERFORM AUDITS ANY WAY THEY WANTED TO?**
- **MANY AUDITING STANDARDS ARE DRIVEN BY AUDIT FAILURES.**

AUDITING STANDARDS

- **HISTORY:**

- **PRIOR TO 1917, VERIFICATION AUDITS OF THE BALANCE SHEET WITHOUT STANDARDS.**
- **1917-18, FIRST STANDARDS FOR BALANCE SHEET AUDITS (FTC AND FRB) “APPROVED METHODS FOR THE PREPARATION OF BALANCE-SHEET STATEMENTS” BY AIA.**

AUDITING STANDARDS

- **HISTORY:**

- **1972, STATEMENT ON AUDITING STANDARDS “(SAS) NO. 1, CODIFICATION OF AUDITING STANDARDS AND PROCEDURES”.**
- **1978, AUDITING STANDARDS BOARD WAS CREATED.**
- **2002-2004, SARBANES-OXLEY ACT WAS PASSED AND THE AICPA OFFICIALLY RECOGNIZED PCAOB’S AUTHORITY FOR PUBLICLY TRADED COMPANIES.**

AUDITING STANDARDS

- **HISTORY:**

- 2011, THE ASB ISSUED SAS NO. 122, STATEMENTS ON AUDITING STANDARDS: CLARIFICATION AND RECODIFICATION (ALREADY AMENDED)
- MORE TO COME, ALREADY UP TO SAS 128.

AUDITING STANDARDS

- **JUST AN OPINION:**

- **MARK FUNKHOUSER, FORMER KANSAS CITY AUDITOR AND MAYOR, NOW DIRECTOR OF GOVERNING INSTITUTE SAID, AUDITORS KNOW HOW TO AUDIT, JUST DO WHAT YOU KNOW IS RIGHT (PARAPHRASED)**
- **MY QUESTION? DO YOU THINK THE STANDARDS HINDER US FROM DOING THAT?**
- **HIS ANSWER WAS, YES.**

AUDITING STANDARDS

?

A-133 requires a Yellow Book audit and adds to the standards required by the Yellow Book.

The Yellow Book incorporates the SASs by reference and adds to those standards.

The ASB establishes the SASs. SAS 117 Specifically deals with Compliance (A-133) Audits

Yellow Book



YELLOW BOOK

- **GENERALLY ACCEPTED GOVERNMENT AUDITING STANDARDS (GAGAS)** INCORPORATES BY REFERENCE THE AICPA STATEMENTS ON AUDITING STANDARDS (SAS).
- GAGAS INCLUDES ADDITIONAL STANDARDS FOR FINANCIAL AUDITS AND ATTESTATION ENGAGEMENTS. GAGAS ESTABLISHES PERFORMANCE AUDIT STANDARDS FOR GOVERNMENTS.

YELLOW BOOK

- GAGAS DOES NOT COVER NONAUDIT SERVICES, WHICH ARE DEFINED AS PROFESSIONAL SERVICES OTHER THAN AUDITS OR ATTESTATION ENGAGEMENTS. THEREFORE, AUDITORS DO NOT REPORT THAT THE NONAUDIT SERVICES WERE CONDUCTED IN ACCORDANCE WITH GAGAS.

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CLARITY STANDARDS

- **NEW CLARIFIED STANDARDS:**
- **SAS 123 – “OMNIBUS STATEMENT ON AUDITING STANDARDS – 2011”**
- **SAS 124 – “FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH A FINANCIAL REPORTING FRAMEWORK GENERALLY ACCEPTED IN ANOTHER COUNTRY”**
- **SAS 125 – “ALERT THAT RESTRICTS THE USE OF THE AUDITOR’S WRITTEN COMMUNICATION”**
- **SAS 126 – “THE AUDITOR’S CONSIDERATION OF AN ENTITY’S ABILITY TO CONTINUE AS A GOING CONCERN”**
- **SAS 127 – “OMNIBUS STATEMENT ON AUDITING STANDARDS – 2013”**

CLARITY STANDARDS

- “THE GOAL OF THE CLARITY PROJECT IS TO MAKE GENERALLY ACCEPTED AUDITING STANDARDS EASIER TO READ, UNDERSTAND, AND APPLY.” AS PART OF THE PROJECT, THE STANDARDS WERE ALSO CONVERGED WITH STANDARDS ISSUED BY IAASB.
- “ALL AU SECTIONS HAVE BEEN MODIFIED.” (AU-C)
- “THE REVISIONS TO GAAS, ALTHOUGH EXTENSIVE, DO NOT CREATE MANY SUBSTANTIAL REQUIREMENTS OR CHANGES TO EXISTING REQUIREMENTS.”
- “REDRAFTING BRINGS BOTH SIGNIFICANT AND SUBTLE CHANGES”

CLARITY STANDARDS

- BUT, IF YOU THINK NOT MUCH HAS CHANGED THAT IS OF ANY IMPORTANCE OR RELEVANCE, THINK AGAIN!
- CHANGES IN TERMINOLOGY
- APPENDIX B TO SAS 122 DIVIDES THE NEW AU-C SECTIONS INTO:
 - SUBSTANTIVE CHANGES
 - PRIMARILY CLARIFYING CHANGES

CLARITY STANDARDS

- CHANGES IN TERMINOLOGY – NEW TERMS:
- APPLICABLE FINANCIAL REPORTING FRAMEWORK REPLACES GAAP AS THE ASSUMED BASIS OF ACCOUNTING.
- “EMPHASIS-OF-MATTER” AND “OTHER-MATTER” PARAGRAPHS REPLACE “EXPLANATORY PARAGRAPHS”.
- GROUP ENGAGEMENT PARTNER AND COMPONENT AUDITOR REPLACE PRINCIPAL AUDITOR AND OTHER AUDITOR.
- UNMODIFIED OPINION REPLACES UNQUALIFIED OPINION (OR CLEAN OPINION)
- MODIFIED OPINION MEANS A QUALIFIED, ADVERSE, OR DISCLAIMER OF OPINION.
- OCBOA HAS BEEN REPLACED BY “SPECIAL PURPOSE FRAMEWORK”



CLARITY STANDARDS

SUBSTANTIVE CHANGES

CLARITY STANDARDS

- CONSIDERATION OF LAWS AND REGULATIONS (AU-C 250)
 - CORRESPONDENCE WITH LICENSING OR REGULATORY AUTHORITIES
- COMMUNICATING INTERNAL CONTROL RELATED MATTERS (AU-C 265)
 - COMMUNICATE OTHER DEFICIENCIES IN INTERNAL CONTROL (I.E. BEYOND MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES) INCLUDE IN ANY WRITTEN REPORT THAT NO MATERIAL WEAKNESSES WERE IDENTIFIED.
 - INCLUDE AN EXPLANATION OF THE **POTENTIAL** EFFECTS OF THE MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCIES IDENTIFIED.
- RELATED PARTIES (AU-C 550)
 - SHIFTS AUDIT TO A RISK BASED APPROACH.

CLARITY STANDARDS

- GROUP AUDITS (AU-C 600)
 - GUIDANCE HAS BEEN SIGNIFICANTLY EXPANDED
 - TERMINOLOGY HAS BEEN ENTIRELY CHANGED
 - CERTAIN THINGS THE ENGAGEMENT PARTNER MUST DO? WHO IS THE ENGAGEMENT PARTNER?
 - ACCEPTANCE AND CONTINUANCE FOCUS HAS CHANGED
 - USES A RISK BASED APPROACH BASED ON THE RISK ASSESSMENT STANDARDS
 - UNDERSTANDING THE COMPONENT AUDITOR
 - DETERMINATION OF MATERIALITY FOR THE GROUP AS A WHOLE AND FOR THE COMPONENT
 - COMMUNICATION WITH THE COMPONENT AUDITOR AND THOSE CHARGED WITH GOVERNANCE
- AUDITOR'S REPORTS (AU-C 700, 705 AND 706)

Headings and Subheadings

Management's Responsibilities

Opinion
(Basis for qualified, adverse, or disclaimer)

Emphasis of Matter
• Matters appropriately presented or disclosed
Other Matter
• To understand audit matters

Other auditor reporting responsibilities

INDEPENDENT AUDITOR'S REPORT

[Appropriate Addressee]

Report on the Financial Statements

We ahs dlkfjaskl kd jflkajsl kdfas jfjakl sdfklas jdfj aksljdf klasjf kljask lfjkla sjfklasjf lkjaslkf djalksj fdlkajsk lkaskl dklasdj fkljak lsdjfk asjfdkl jasklfasdf.

Management's Responsibility for the Financial Statements

Manakldsfaq askdfjkla da kdsfj aksdfj alk;sjdfklajdf akldsif aklsdfj la;ksdjf lkasjflkas kljasklfd ajsdfk askljfaklj flajf klaj flajfkla jklaj klfjaskl fakljflkasj fklasj flkasj flkaj flkaj lkf j asklfj aksf jlkasjd f

Auditor's Responsibility

Our responsibility klasdjfa akldfjka jsdfklaj dfaklsdfj klasjdf kljaskldf klajsdf dkafj akldfjkd akdsjfoinmkasdk klasdjfkla skljasldfjkalsj faklsdjf lkasjfl klasjflkasj fakfj lkajflkasj lsdjfl ask;f jalk;s.

An audit involves ksdayfklaksldf aklsjdfkljaksdjf kalsjdfkla kldf lkasjfdllkas flkjaslkf jalksjf lkasjfl lkasj lkfjas lkfd jalksd jflkasj flkasj dfkjas lkfjaslkldf lkasdjf lkasj flkjasd flkjasd lkfjaslkdf jalksj flkasdj flkasj flkjas dfkjasdfkjasdkl flkjasdjf lkasdj flkasdj flkasjd flkj.

We believe ksdjflkl lksadfjkas dklfjls dlkafjdsfj sadkljaskldjfl lkasjdf aksl;djf alks;djf akdjf.

Opinion

In our opinion, skdjf klasjdf klasjdf aksdjf kalsjdf alksdjf aksdjf lkajsdflkas dfk;asjd flkasjdf klasjd flkasjdf lkasjd flkdsaj flklsdjfaklsdjf lkasj dfklsdj flkasj fdllkasdj fsj klasd jklas .

Emphasis of Matter

We draw attention to Note X to the financial statements, which aksldfj aksklasjdf asdjf aksldjfl klasjdf lkasjd flkasj dfklsaj dfklsajd flklsajd flklsaj sajf klisdj flksd flksj faskdj adfjkdjfasdklf.

Other Matter

Klsdfjakls aslkdfjkla sdfklajklsdjf askljdfjalks dfklsajdf aksldf jklasjdfkl askldfj klasjfl lkasj dfjaskl falksjdf klasj dfkdsaj flkasj flklsdjfl klasdjfkl asdjfkla jkljdsfk lasdkf jaksdj kfak akldjfl aksldjfl klasdjfl aksldjfl askldjfl aksldjfl klsdjfl dasj flksaj flkasj f.

Report on Other Legal and Regulatory Requirements

Aksdjfj asjdfhasjkd fjkahsdjfkas kdfjask fjkasd dfklsaj klfasdlkdf jaskljdf klasjdf kalsdjfl klasjdf klasj dfklsajdklf jasklf jsadkf jlkdsj flksdj flksaj flksaj flksaj flklsdj flklsdjflkl jasklfl jalsdjfl lkasdjfl klasdj flkasdj flklsdj flklsdj flklsajflklsdjflklsdjfl jaskl jalksdjfl lkasd jflkasj dfklsaj flkasjdf.

[Auditor's signature]

[Auditor's address]

[Date of the auditor's report]

CLARITY STANDARDS

- *INDEPENDENT AUDITOR'S REPORT*
- THE GOVERNING BODY
- *[ENTITY NAME]*
- **REPORT ON THE FINANCIAL STATEMENTS**
- WE HAVE AUDITED THE ACCOMPANYING FINANCIAL STATEMENTS OF THE GOVERNMENTAL ACTIVITIES, THE BUSINESS-TYPE ACTIVITIES, THE AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS, EACH MAJOR FUND, AND THE AGGREGATE REMAINING FUND INFORMATION OF *[ENTITY NAME]*, AS OF *[MONTH XX, 20X2]* AND FOR THE YEAR THEN ENDED AND THE RELATED NOTES TO THE FINANCIAL STATEMENTS, WHICH COLLECTIVELY COMPRISE *[ENTITY NAME]*'S BASIC FINANCIAL STATEMENTS AS LISTED IN THE TABLE OF CONTENTS.

CLARITY STANDARDS

- **MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS**
- [ENTITY NAME]'S MANAGEMENT IS RESPONSIBLE FOR THE PREPARATION AND FAIR PRESENTATION OF THESE FINANCIAL STATEMENTS IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA; THIS INCLUDES THE DESIGN, IMPLEMENTATION, AND MAINTENANCE OF INTERNAL CONTROL RELEVANT TO THE PREPARATION AND FAIR PRESENTATION OF FINANCIAL STATEMENTS THAT ARE FREE FROM MATERIAL MISSTATEMENT, WHETHER DUE TO FRAUD OR ERROR.

CLARITY STANDARDS

- **AUDITOR'S RESPONSIBILITY**

- OUR RESPONSIBILITY IS TO EXPRESS OPINIONS ON THESE FINANCIAL STATEMENTS BASED ON OUR AUDIT. WE CONDUCTED OUR AUDIT IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA AND THE STANDARDS APPLICABLE TO FINANCIAL AUDITS CONTAINED IN *GOVERNMENT AUDITING STANDARDS*, ISSUED BY THE COMPTROLLER GENERAL OF THE UNITED STATES. THOSE STANDARDS REQUIRE THAT WE PLAN AND PERFORM THE AUDIT TO OBTAIN REASONABLE ASSURANCE ABOUT WHETHER THE FINANCIAL STATEMENTS ARE FREE FROM MATERIAL MISSTATEMENT.

- AN AUDIT INVOLVES PERFORMING PROCEDURES TO OBTAIN AUDIT EVIDENCE ABOUT THE AMOUNTS AND DISCLOSURES IN THE FINANCIAL STATEMENTS. THE PROCEDURES SELECTED DEPEND ON THE AUDITOR'S JUDGMENT, INCLUDING THE ASSESSMENT OF THE RISKS OF MATERIAL MISSTATEMENT OF THE FINANCIAL STATEMENTS, WHETHER DUE TO FRAUD OR ERROR. IN MAKING THOSE RISK ASSESSMENTS, THE AUDITOR CONSIDERS INTERNAL CONTROL RELEVANT TO THE ENTITY'S PREPARATION AND FAIR PRESENTATION OF THE FINANCIAL STATEMENTS IN ORDER TO DESIGN AUDIT PROCEDURES THAT ARE APPROPRIATE IN THE CIRCUMSTANCES, BUT NOT FOR THE PURPOSE OF EXPRESSING AN OPINION ON THE EFFECTIVENESS OF THE ENTITY'S INTERNAL CONTROL. ACCORDINGLY, WE EXPRESS NO SUCH OPINION. AN AUDIT ALSO INCLUDES EVALUATING THE APPROPRIATENESS OF ACCOUNTING POLICIES USED AND THE REASONABLENESS OF SIGNIFICANT ACCOUNTING ESTIMATES MADE BY MANAGEMENT, AS WELL AS EVALUATING THE OVERALL PRESENTATION OF THE FINANCIAL STATEMENTS.

- WE BELIEVE THAT THE AUDIT EVIDENCE WE HAVE OBTAINED IS SUFFICIENT AND APPROPRIATE TO PROVIDE A BASIS FOR OUR AUDIT OPINIONS.

CLARITY STANDARDS

- **WHEN THE AUDITOR ISSUES AN OPINION OTHER THAN UNMODIFIED, THE PARAGRAPH DETAILING THE REASON FOR THE MODIFIED REPORT IS STILL REQUIRED IMMEDIATELY PRECEDING THE OPINION PARAGRAPH, BUT NOW MUST HAVE AN APPROPRIATE HEADING:**
- **BASIS FOR QUALIFIED OPINION; OR**
- **BASIS FOR ADVERSE OPINION; OR**
- **BASIS FOR DISCLAIMER OF OPINION**

CLARITY STANDARDS

- **OPINION**
- IN OUR OPINION, THE FINANCIAL STATEMENTS REFERRED TO ABOVE PRESENT FAIRLY, IN ALL MATERIAL RESPECTS, THE RESPECTIVE FINANCIAL POSITION OF THE GOVERNMENTAL ACTIVITIES, THE BUSINESS-TYPE ACTIVITIES, THE AGGREGATE DISCRETELY PRESENTED COMPONENT UNITS, EACH MAJOR FUND, AND THE AGGREGATE REMAINING FUND INFORMATION OF [ENTITY NAME], AS OF [MONTH XX, 20X5], AND THE RESPECTIVE CHANGES IN FINANCIAL POSITION AND, WHERE APPLICABLE, CASH FLOWS THEREOF FOR THE YEAR THEN ENDED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA (GAAP).

CLARITY STANDARDS

- **OTHER MATTERS**

- IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*, WE HAVE ISSUED OUR REPORT DATED [MONTH XX, 20X2] ON OUR CONSIDERATION OF [ENTITY NAME]'S INTERNAL CONTROL OVER FINANCIAL REPORTING AND OUR TESTS OF ITS COMPLIANCE WITH CERTAIN PROVISIONS OF LAWS, REGULATIONS, CONTRACTS AND GRANT AGREEMENTS, AND OTHER MATTERS. THE PURPOSE OF THAT REPORT IS TO DESCRIBE THE SCOPE OF OUR TESTING OF INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE AND THE RESULTS OF THAT TESTING, AND NOT TO PROVIDE AN OPINION ON THE INTERNAL CONTROL OVER FINANCIAL REPORTING OR ON COMPLIANCE. THAT REPORT IS AN INTEGRAL PART OF AN AUDIT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND SHOULD BE CONSIDERED IN ASSESSING THE RESULTS OF OUR AUDIT.

CLARITY STANDARDS

- **OTHER MATTERS**
- [IDENTIFY THE APPLICABLE FINANCIAL REPORTING FRAMEWORK (FOR EXAMPLE, **ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA**)] REQUIRE THAT [IDENTIFY THE INCLUDED **REQUIRED SUPPLEMENTARY INFORMATION**, SUCH AS MANAGEMENT'S DISCUSSION AND ANALYSIS AND BUDGETARY COMPARISON INFORMATION] BE PRESENTED TO SUPPLEMENT THE BASIC FINANCIAL STATEMENTS. SUCH INFORMATION, ALTHOUGH NOT A PART OF THE BASIC FINANCIAL STATEMENTS, IS REQUIRED BY [IDENTIFY DESIGNATED ACCOUNTING STANDARD SETTER, SUCH AS THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD], WHO CONSIDERS IT TO BE AN ESSENTIAL PART OF FINANCIAL REPORTING FOR PLACING THE BASIC FINANCIAL STATEMENTS IN AN APPROPRIATE OPERATIONAL, ECONOMIC, OR HISTORICAL CONTEXT. WE HAVE APPLIED CERTAIN LIMITED PROCEDURES TO THE REQUIRED SUPPLEMENTARY INFORMATION IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA, WHICH CONSISTED OF INQUIRIES OF MANAGEMENT ABOUT THE METHODS OF PREPARING THE INFORMATION AND COMPARING THE INFORMATION FOR CONSISTENCY WITH MANAGEMENT'S RESPONSES TO OUR INQUIRIES, THE BASIC FINANCIAL STATEMENTS, AND OTHER KNOWLEDGE WE OBTAINED DURING OUR AUDIT OF THE BASIC FINANCIAL STATEMENTS. WE DO NOT EXPRESS AN OPINION OR PROVIDE ANY ASSURANCE ON THE INFORMATION BECAUSE THE LIMITED PROCEDURES DO NOT PROVIDE US WITH EVIDENCE SUFFICIENT TO EXPRESS AN OPINION OF PROVIDE ANY ASSURANCE.

CLARITY STANDARDS

- **OTHER MATTERS**
- OUR AUDIT WAS CONDUCTED FOR THE PURPOSE OF FORMING OPINIONS ON THE FINANCIAL STATEMENTS THAT COLLECTIVELY COMPRISE [ENTITY NAME]'S BASIC FINANCIAL STATEMENTS. THE [IDENTIFY ACCOMPANYING **SUPPLEMENTARY INFORMATION**, SUCH AS THE COMBINING AND INDIVIDUAL NON-MAJOR FUND FINANCIAL STATEMENTS] ARE PRESENTED FOR PURPOSES OF ADDITIONAL ANALYSIS AND ARE NOT A REQUIRED PART OF THE BASIC FINANCIAL STATEMENTS. SUCH INFORMATION IS THE RESPONSIBILITY OF MANAGEMENT AND WAS DERIVED FROM AND RELATES DIRECTLY TO THE UNDERLYING ACCOUNTING AND OTHER RECORDS USED TO PREPARE THE FINANCIAL STATEMENTS. THE INFORMATION HAS BEEN SUBJECTED TO THE AUDITING PROCEDURES APPLIED IN THE AUDIT OF THE FINANCIAL STATEMENTS AND CERTAIN ADDITIONAL PROCEDURES, INCLUDING COMPARING AND RECONCILING SUCH INFORMATION DIRECTLY TO THE UNDERLYING ACCOUNTING AND OTHER RECORDS USED TO PREPARE THE FINANCIAL STATEMENTS OR TO THE FINANCIAL STATEMENTS THEMSELVES, AND OTHER ADDITIONAL PROCEDURES IN ACCORDANCE WITH AUDITING STANDARDS GENERALLY ACCEPTED IN THE UNITED STATES OF AMERICA. IN OUR OPINION, THE INFORMATION IS FAIRLY STATED IN ALL MATERIAL RESPECTS IN RELATION TO THE FINANCIAL STATEMENTS AS A WHOLE.
- OUR AUDIT WAS CONDUCTED FOR THE PURPOSE OF FORMING OPINIONS ON THE FINANCIAL STATEMENTS THAT COLLECTIVELY COMPRISE [ENTITY NAME]'S BASIC FINANCIAL STATEMENTS. THE [IDENTIFY RELEVANT OTHER INFORMATION, SUCH AS THE **INTRODUCTORY AND STATISTICAL SECTION**] IS PRESENTED FOR PURPOSES OF ADDITIONAL ANALYSIS AND IS NOT A REQUIRED PART OF THE BASIC FINANCIAL STATEMENTS. SUCH INFORMATION HAS NOT BEEN SUBJECTED TO THE AUDITING PROCEDURES APPLIED IN THE AUDIT OF THE BASIC FINANCIAL STATEMENTS AND, ACCORDINGLY, WE DO NOT EXPRESS AN OPINION OR PROVIDE ANY ASSURANCE ON IT.

CLARITY STANDARDS

- **REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS**
- [THE FORM AND CONTENT OF THIS SECTION OF THE AUDITOR'S REPORT WILL VARY DEPENDING ON THE NATURE OF THE AUDITOR'S OTHER REPORTING RESPONSIBILITIES.]
- [SIGNATURE]
- [AUDITOR'S CITY AND STATE]
- [DATE]

CLARITY STANDARDS

PRIMARYLY CLARIFYING CHANGES

CLARITY STANDARDS

- “PRIMARILY CLARIFYING CHANGES” ARE CHANGES THAT ARE INTENDED TO EXPLICITLY STATE WHAT MAY HAVE BEEN IMPLICIT IN EXTANT STANDARDS. THESE CHANGES MAY NOT HAVE A SUBSTANTIAL IMPACT BUT MAY RESULT IN ADJUSTMENTS TO THE TIMING AND RESPONSIBILITIES OF AUDITORS OR THEIR CLIENTS.

CLARITY STANDARDS

- TERMS OF ENGAGEMENT (AU-C 210)
 - REQUIRES A WRITTEN ENGAGEMENT LETTER (FOR EACH NEW ENGAGEMENT) AND A **REMINDER** (WRITTEN OR ORAL) FOR RECURRING AUDITS AND TO DOCUMENT THAT UNDERSTANDING.
 - FINANCIAL REPORTING FRAMEWORK (OBTAIN MGMT'S AGREEMENT AND ACKNOWLEDGEMENT OF ITS RESPONSIBILITIES SUCH AS: SELECTING THE APPROPRIATE FINANCIAL REPORTING FRAMEWORK; ESTABLISHING AND MAINTAINING INTERNAL CONTROLS; AND ALLOWING UNRESTRICTED ACCESS TO EMPLOYEES.)
 - IMPOSED LIMITATION ON AUDIT SCOPE, OR FINANCIAL FRAMEWORK NOT ACCEPTABLE, OR MGMT WILL NOT ACKNOWLEDGE ITS RESPONSIBILITY FOR SELECTING THE FINANCIAL FRAMEWORK, THEN DECLINE THE AUDIT UNLESS REQUIRED BY LAW.

CLARITY STANDARDS

- USING A SERVICE ORGANIZATION (AU-C 402)
 - SECTION 402 CONTAIN GUIDANCE “ONLY” FOR “USER” AUDITORS.
 - A USER ORGANIZATION IS NOW KNOWN AS A USER “ENTITY”.
 - A USER AUDITOR IS PERMITTED TO REFER TO THE WORK OF A SERVICE AUDITOR REPORT TO EXPLAIN A MODIFICATION OF THE USER AUDITOR’S REPORT (BUT STILL CANNOT MAKE REFERENCE IN AN UNMODIFIED OPINION)
 - A USER AUDITOR IS REQUIRED TO INQUIRE OF MANAGEMENT OF THE USER ENTITY ABOUT WHETHER THE SERVICE ORGANIZATION HAS REPORTED TO THE USER ENTITY ANY FRAUD, NONCOMPLIANCE WITH LAWS OR REGULATIONS OR UNCORRECTED MISSTATEMENTS.

CLARITY STANDARDS

- AUDIT EVIDENCE (AU-C 501)
 - REQUIRES THE AUDITOR TO SEEK DIRECT COMMUNICATION WITH THE ENTITY'S LAWYERS ONLY IF THE AUDITOR ASSESSES A RISK A MATERIAL MISSTATEMENT REGARDING THE LITIGATION OR CLAIM OR WHEN AUDIT PROCEDURES PERFORMED INDICATE THAT MATERIAL LITIGATION OR CLAIMS MAY EXIST. AUDITORS MUST DOCUMENT THE BASIS FOR ANY DETERMINATION "NOT" TO SEEK DIRECT COMMUNICATION WITH THE ENTITY'S LEGAL COUNSEL.
 - HOWEVER, AS A PRACTICAL MATTER, MOST AUDITORS WILL CONTINUE TO COMMUNICATE WITH THE ENTITY'S ATTORNEY(S).

CLARITY STANDARDS

- EXTERNAL CONFIRMATIONS (AU-C 505)
 - “WRITTEN” CONFIRMATIONS ARE REQUIRED. (THE EXISTANT STANDARD REQUIRES THAT AN ORAL CONFIRMATION SHOULD BE DOCUMENTED, IMPLYING THAT IT WAS ACCEPTABLE TO USE ORAL CONFIRMATIONS)
 - AN ORAL CONFIRMATION DOES NOT MEET THE DEFINITION OF AN EXTERNAL CONFIRMATION.
 - ORAL CONFIRMATIONS MAY BE CONSIDERED PART OF ALTERNATIVE PROCEDURES PERFORMED TO OBTAIN SUFFICIENT APPROPRIATE AUDIT EVIDENCE.
 - THE DEFINITION OF AN EXTERNAL CONFIRMATION INCLUDES AUDIT EVIDENCE OBTAINED BY ELECTRONIC OR OTHER MEDIUM PROVIDED THE INFORMATION COMES FROM THE THIRD PARTY.
 - THE PRESUMPTIVELY MANDATORY REQUIREMENT TO CONFIRM ACCOUNTS RECEIVABLE IS FOUND IN AU-C 330.

CLARITY STANDARDS

- OPENING BALANCES ON INITIAL AND REAUDIT ENGAGEMENTS (AU-C 510)
 - MAKES CLEAR THAT REVIEWING A PREDECESSOR AUDITOR'S DOCUMENTATION "CANNOT" BE THE ONLY PROCEDURE PERFORMED TO OBTAIN SUFFICIENT AUDIT EVIDENCE REGARDING OPENING BALANCES.
 - MANY AUDITORS HAVE THE PERCEPTION UNDER THE EXTANT STANDARD THAT REVIEWING THE PREDECESSOR AUDITOR'S AUDIT DOCUMENTATION IS ALL THAT NEEDS TO BE DONE TO OBTAIN SUFFICIENT APPROPRIATE AUDIT EVIDENCE.
 - AUDITORS MUST DETERMINE WHETHER:
 - OPENING BALANCES CONTAIN MATERIAL MISSTATEMENTS
 - ACCOUNTING POLICIES HAVE BEEN CONSISTENTLY APPLIED BETWEEN CURRENT YEAR AND PRIOR FINANCIAL STATEMENTS.

CLARITY STANDARDS

- USING THE WORK OF AN AUDITOR'S SPECIALIST (AU-C 620)
 - THE CLARIFIED STANDARD INCLUDES IN-HOUSE AUDIT FIRM SPECIALISTS AND REQUIRES INCREMENTAL DOCUMENTATION.
 - THE EXTANT STANDARD SPECIFICALLY SCOPES OUT THE USE OF SPECIALISTS EMPLOYED BY THE AUDIT FIRM.

CLARITY STANDARDS

- SPECIAL PURPOSE FRAMEWORKS (AU-C 800)
 - SPECIAL PURPOSE FRAMEWORKS SUCH AS CASH, TAX, REGULATORY, OR CONTRACTUAL BASES OF ACCOUNTING ARE COMMONLY REFERRED TO AS OCBOAS.
 - THE TERM OCBOA IS REPLACED WITH THE TERM “SPECIAL PURPOSE FRAMEWORK”
 - THE CLARIFIED STANDARD REQUIRES SEVERAL PROCEDURES WHEN A “SPECIAL PURPOSE FRAMEWORK” IS UTILIZED.

CLARITY STANDARDS

- RESTRICTED USE ALERT (AU-C 905)
 - CLARIFIED STANDARD IS CONSISTENT WITH THE EXTANT STANDARD EXCEPT WHEN AUDIT ENGAGEMENT IS ALSO PERFORMED IN ACCORDANCE WITH “GOVERNMENT AUDITING STANDARDS”, AND THE WRITTEN COMMUNICATION PURSUANT TO THE ENGAGEMENT IS REQUIRED BY LAW OR REGULATION TO BE MADE PUBLICLY AVAILABLE.
 - IN THIS SITUATION, THE ALERT LANGUAGE DESCRIBES THE PURPOSE OF THE COMMUNICATION AND STATES THAT THE COMMUNICATION IS NOT INTENDED TO BE AND SHOULD NOT BE USED FOR ANY OTHER PURPOSE. NO SPECIFIED PARTIES ARE IDENTIFIED IN TYPE OF ALERT!

CLARITY STANDARDS

- RESTRICTED USE ALERT (AU-C 905)

NEW PARAGRAPH LANGUAGE:

- **THE PURPOSE OF THIS [REPORT, LETTER, PRESENTATION, OR COMMUNICATION] IS SOLELY TO [DESCRIBE THE PURPOSE OF THE AUDITOR'S WRITTEN COMMUNICATION, SUCH AS TO DESCRIBE THE SCOPE OF OUR TESTING OF INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE, AND THE RESULT OF THAT TESTING, AND NOT TO PROVIDE AN OPINION ON THE EFFECTIVENESS OF THE ENTITY'S INTERNAL CONTROL OVER FINANCIAL REPORTING OR ON COMPLIANCE]. THIS [REPORT, LETTER, PRESENTATION, OR COMMUNICATION] IS AN INTEGRAL PART OF AN AUDIT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS IN CONSIDERING [DESCRIBE THE RESULTS THAT ARE BEING ASSESSED, SUCH AS THE ENTITY'S INTERNAL CONTROL OVER FINANCIAL REPORTING AND COMPLIANCE]. ACCORDINGLY, THIS [REPORT, LETTER, PRESENTATION, OR COMMUNICATION] IS **NOT SUITABLE** FOR ANY OTHER PURPOSE.**
- **NOTICE: NO SPECIFIED PARTIES.**
- **SAME TYPE OF LANGUAGE FOR A-133 REPORTS.**

CLARITY STANDARDS

- RESTRICTED USE ALERT (AU-C 905)

OLD PARAGRAPH LANGUAGE:

THIS REPORT IS INTENDED SOLELY FOR THE INFORMATION AND USE OF MANAGEMENT, **(IDENTIFY THOSE CHARGED WITH GOVERNANCE SUCH AS: THE COUNTY MAYOR/EXECUTIVE, ROAD/HIGHWAY SUPERINTENDENT, DIRECTOR OF SCHOOLS, COUNTY COMMISSION, HIGHWAY COMMISSION, BOARD OF EDUCATION)**, OTHERS WITHIN TYPICAL COUNTY, FEDERAL AWARDDING AGENCIES AND PASS-THROUGH ENTITIES **(DELETE REFERENCE TO PASS-THROUGH ENTITIES IF NOT APPLICABLE)** AND IS NOT INTENDED TO BE AND SHOULD NOT BE USED BY ANYONE OTHER THAN THESE SPECIFIED PARTIES.

CLARITY STANDARDS

- SAS 126, THE AUDITOR'S CONSIDERATION OF AN ENTITY'S ABILITY TO CONTINUE AS A GOING CONCERN
 - CONTINUATION OF AN ENTITY AS A GOING CONCERN IS ASSUMED ABSENCE SIGNIFICANT INFORMATION TO THE CONTRARY
 - AUDITOR SHOULD EVALUATE WHETHER THERE IS SUBSTANTIAL DOUBT FOR A REASONABLE PERIOD OF TIME (DEFINED AS ONE YEAR)
 - THIS EVALUATION IS BASED AUDIT PROCEDURES PLANNED AND PERFORMED TO ACHIEVE THE AUDIT OBJECTIVES (IT IS NOT NECESSARY TO DESIGN AUDIT PROCEDURES SOLELY TO IDENTIFY CONDITIONS OR EVENTS, THAT TAKEN IN AGGREGATE, INDICATE SUBSTANTIAL DOUBT
 - THE AUDITOR SHOULD CONSIDER MANAGEMENT'S PLANS TO MITIGATE THE ADVERSE EFFECTS OF CONDITIONS OR EVENTS CREATING SUBSTANTIAL DOUBT
 - ADEQUATELY DISCLOSED

CLARITY STANDARDS

- SAS 126, “THE AUDITOR’S CONSIDERATION OF AN ENTITY’S ABILITY TO CONTINUE AS A GOING CONCERN”
 - OBTAIN WRITTEN REPRESENTATIONS FROM MANAGEMENT
 - INCLUDE THE WORDS “SUBSTANTIAL DOUBT” AND “GOING CONCERN” IN THE AUDITOR’S REPORT IN AN EMPHASIS-OF-A-MATTER PARAGRAPH
 - IF YOU DECIDE TO DISCLAIM, THE NO GOING CONCERN EMPHASIS-OF-A MATTER PARAGRAPH
 - COMMUNICATE WITH THOSE CHARGED WITH GOVERNANCE
 - NATURE OF CONDITIONS OR EVENTS
 - POSSIBLE EFFECTS ON THE FINANCIAL STATEMENTS
 - EFFECTS ON THE AUDITOR’S REPORT

CLARITY STANDARDS

- SAS 126, “THE AUDITOR’S CONSIDERATION OF AN ENTITY’S ABILITY TO CONTINUE AS A GOING CONCERN”
- GOING CONCERN EMPHASIS-OF-A-MATTER PARAGRAPH:
- EMPHASIS OF MATTER REGARDING GOING CONCERN
- THE ACCOMPANYING FINANCIAL STATEMENTS HAVE BEEN PREPARED ASSUMING THAT THE COMPANY WILL CONTINUE AS A GOING CONCERN. AS DISCUSSED IN NOTE X TO THE FINANCIAL STATEMENTS, THE COMPANY HAS SUFFERED RECURRING LOSSES FROM OPERATIONS AND HAS A NET CAPITAL DEFICIENCY THAT RAISE SUBSTANTIAL DOUBT ABOUT ITS ABILITY TO CONTINUE AS A GOING CONCERN. MANAGEMENT'S PLANS IN REGARD TO THESE MATTERS ARE ALSO DESCRIBED IN NOTE X. THE FINANCIAL STATEMENTS DO NOT INCLUDE ANY ADJUSTMENTS THAT MIGHT RESULT FROM THE OUTCOME OF THIS UNCERTAINTY. OUR OPINION IS NOT MODIFIED WITH RESPECT TO THIS MATTER.

1 2 8

SAS 128

USING THE WORK OF INTERNAL AUDITORS

- THIS SAS DEFINES THE CONDITIONS NECESSARY FOR AN EXTERNAL AUDITOR TO BE ABLE TO USE THE WORK OF INTERNAL AUDITORS (**IA**)
- IT ALSO DEFINES THE AMOUNT OF EFFORT REQUIRED BY THE EXTERNAL AUDITOR TO DEMONSTRATE THAT SUFFICIENT APPROPRIATE AUDIT EVIDENCE HAS BEEN OBTAINED FROM USING THE WORK OF THE **IA**
- THE STANDARD WAS DESIGNED TO PREVENT OVER OR UNDUE USE OF THE **IA'S** WORK

SAS 128

USING THE WORK OF INTERNAL AUDITORS

- DOES NOT APPLY IF THE ENTITY DOES NOT HAVE AN INTERNAL AUDIT (**IA**) FUNCTION
- DOES NOT APPLY IF THE **IA** FUNCTION RESPONSIBILITIES AND ACTIVITIES ARE NOT RELEVANT TO THE AUDIT
- DOES NOT APPLY IF, AS A RESULT OF THE RISK ASSESSMENT PROCESS, THE EXTERNAL AUDITOR DOES NOT EXPECT TO USE THE WORK OF THE **IA** FUNCTION
- NOTHING IN THE STANDARD REQUIRES THE EXTERNAL AUDITOR TO USE THE WORK OF THE **IA** (WHETHER DIRECT OR INDIRECT – ALREADY PERFORMED)
- NOTHING IN THE STANDARD REQUIRES THE EXTERNAL AUDITOR TO USE THE WORK OF THE **IA** TO PERFORM “DIRECT TESTING PROCEDURES

SAS 128

USING THE WORK OF INTERNAL AUDITORS

- EXTERNAL AUDITOR MAY BE ABLE TO USE THE INTERNAL AUDIT FUNCTION (**IA**) DEPENDING ON:
 - LEVEL OF COMPETENCE OF **IA**
 - WHETHER THE **IA'S** ORGANIZATIONAL STATUS AND RELEVANT POLICIES AND PROCEDURES ADEQUATELY SUPPORT THE OBJECTIVITY OF THE **IA**
 - WHETHER THE **IA** FUNCTION APPLIES A SYSTEMATIC AND DISCIPLINED APPROACH, INCLUDING QUALITY CONTROL

SAS 128

USING THE WORK OF INTERNAL AUDITORS

- TWO WAYS TO USE THE **IA** FUNCTION:
 - TO OBTAIN AUDIT EVIDENCE FROM PROCEDURES ALREADY PERFORMED BY THE **IA** THAT MODIFIES THE NATURE, TIMING, OR EXTENT OF NORMAL AUDIT PROCEDURES (I.E. INDIRECT)
 - TO OBTAIN AUDIT EVIDENCE BY PROVIDING DIRECT ASSISTANCE UNDER THE DIRECTION, SUPERVISION, AND REVIEW OF THE EXTERNAL AUDITORS
- UNDER EITHER APPROACH, THE **EXTERNAL AUDITOR** IS SOLELY RESPONSIBLE FOR THE AUDIT OPINION EXPRESSED
- THE EXTERNAL AUDITOR SHOULD COMMUNICATE TO THOSE CHARGED WITH GOVERNANCE HOW THE EXTERNAL AUDITOR PLANS TO USE THE WORK OF THE **IA** (DIRECT ASSISTANCE OR INDIRECT PROCEDURES)

SAS 128

USING THE WORK OF INTERNAL AUDITORS

- THE EXTERNAL AUDITOR SHOULD USE LESS OF THE IA'S WORK:
 - WHEN MORE JUDGEMENT IS INVOLVED IN THE PROCEDURE OR EVALUATING THE RESULTS OF THE PROCEDURE PERFORMED BY **IA**
 - THE HIGHER THE ASSESSED RISK OF MATERIAL MISSTATEMENTS OR WHEN "SIGNIFICANT" RISKS ARE INVOLVED (DEFINE)
 - WHEN THE ORGANIZATIONAL STATUS OF THE **IA** FUNCTION PRESENTS EVIDENCE OF A LACK OF OBJECTIVITY
 - THE LOWER THE LEVEL OF COMPETENCE OF THE **IA** FUNCTION
- THE EXTERNAL AUDITOR SHOULD EVALUATE WHETHER, IN AGGREGATE, THE EXTERNAL AUDITOR HAS BEEN SUFFICIENTLY INVOLVED WITH THE WORK OF THE **IA** TO FORM AN OPINION

SAS 128

USING THE WORK OF INTERNAL AUDITORS

- THE PLANNED USE OF THE **IA'S** WORK SHOULD BE DISCUSSED WITH THE **IA**
- THE EXTERNAL AUDITOR SHOULD READ THE REPORTS AND FINDINGS OF THE **IA**
- THE EXTERNAL AUDITOR SHOULD REPERFORM SOME OF THE BODY OF WORK OF THE **IA** FUNCTION
 - EXAMINE ITEMS ALREADY EXAMINED BY **IA** OR SUFFICIENT NEW ITEMS
 - NOT NECESSARY TO TEST SOME OF ALL WORK BUT REPERFORMANCE IS REQUIRED ON THE **IA'S** BODY OF WORK AS A WHOLE

SAS 128

USING THE WORK OF INTERNAL AUDITORS

- BEFORE THE CONCLUSION OF THE AUDIT, THE EXTERNAL AUDITOR SHOULD EVALUATE WHETHER THE EXTERNAL AUDITOR'S CONCLUSIONS REGARDING THE **IA** FUNCTION REMAIN APPROPRIATE
 - MAKING INQUIRIES OF APPROPRIATE **IA** PERSONNEL
 - OBSERVING PROCEDURES PERFORMED BY **IA**
 - REVIEWING **IA'S** WORK PROGRAM AND WORKING PAPERS

SAS 128

USING THE WORK OF INTERNAL AUDITORS

- IF USING **IA'S** FOR **DIRECT** ASSISTANCE:
 - ANY THREATS TO OBJECTIVITY. ANY SAFEGUARDS?
 - SHOULD NOT USE **IA** FOR DIRECT ASSISTANCE IF:
 - LACK OF **IA** OBJECTIVITY
 - LACK OF NECESSARY COMPETENCE
 - THE EXTERNAL AUDITOR SHOULD DIRECT, SUPERVISE, AND REVIEW THE DIRECT ASSISTANCE PERFORMED BY THE **IA** FUNCTION
 - PRIOR TO USING THE **IA** TO PERFORM DIRECT ASSISTANCE, THE EXTERNAL AUDITOR SHOULD OBTAIN WRITTEN ACKNOWLEDGEMENT FROM MANAGEMENT OR THOSE CHARGED WITH GOVERNANCE, AS APPROPRIATE, THAT **IA** WILL BE ALLOWED TO FOLLOW THE EXTERNAL AUDITOR'S INSTRUCTIONS AND WILL NOT INTERVENE IN THE WORK

SAS 128

USING THE WORK OF INTERNAL AUDITORS

- IF USING **IA'S** FOR **DIRECT** ASSISTANCE (CONT'D):
 - DIRECTION, SUPERVISION, AND REVIEW SHOULD BE RESPONSIVE TO THE EXTERNAL AUDITOR'S INITIAL RISK ASSESSMENT (I.E. OBJECTIVITY, RISK OF MATERIAL MISSTATEMENT, AMOUNT OF JUDGEMENT INVOLVED)
 - THE EXTERNAL AUDITOR SHOULD INSTRUCT THE **IAS** TO BRING ACCOUNTING AND AUDITING ISSUES IDENTIFIED DURING THE AUDIT TO THE ATTENTION OF THE EXTERNAL AUDITOR
 - THE EXTERNAL AUDITOR SHOULD TEST SOME OF THE WORK PERFORMED BY THE **IA**
 - REMAIN ALERT FOR INDICATIONS THAT THE AUDITOR'S EVALUATIONS ARE NO LONGER APPROPRIATE

SAS 128

USING THE WORK OF INTERNAL AUDITORS

- DOCUMENTATION:
 - RESULTS OF EVALUATION OF **IA**
 - THE WORK USED AND BASIS FOR DECISIONS
 - EVALUATION PROCEDURES INCLUDING REPERFORMANCE PROCEDURES
 - HOW THE EXTERNAL AUDITOR DECIDED HE/SHE WAS SUFFICIENTLY INVOLVED IN THE AUDIT
- FOR DIRECT ASSISTANCE:
 - ALL THE ABOVE, PLUS
 - THREATS TO OBJECTIVITY AND SAFEGUARDS
 - INCLUDE THE WORKING PAPERS PREPARED BY THE **IA**

SAS 128

USING THE WORK OF INTERNAL AUDITORS

- UNDER SAS 128, AUDITORS:
 - 1. SHOULD USE THE WORK OF THE INTERNAL AUDIT FUNCTION
 - 2. ARE REQUIRED TO USE THE WORK OF THE INTERNAL AUDIT FUNCTION
 - 3. NONE OF THE ABOVE

SAS 128

USING THE WORK OF INTERNAL AUDITORS

- UNDER SAS 128, AUDITORS MAY:
 - 1. OBTAIN AUDIT EVIDENCE FROM **IA** INDIRECT PROCEDURES
 - 2. OBTAIN AUDIT EVIDENCE FROM **IA** DIRECT ASSISTANCE
 - 3. TREAT **IA** AS AN AUDIT SPECIALIST
 - 4. 1 AND 2 ABOVE

SAS 128

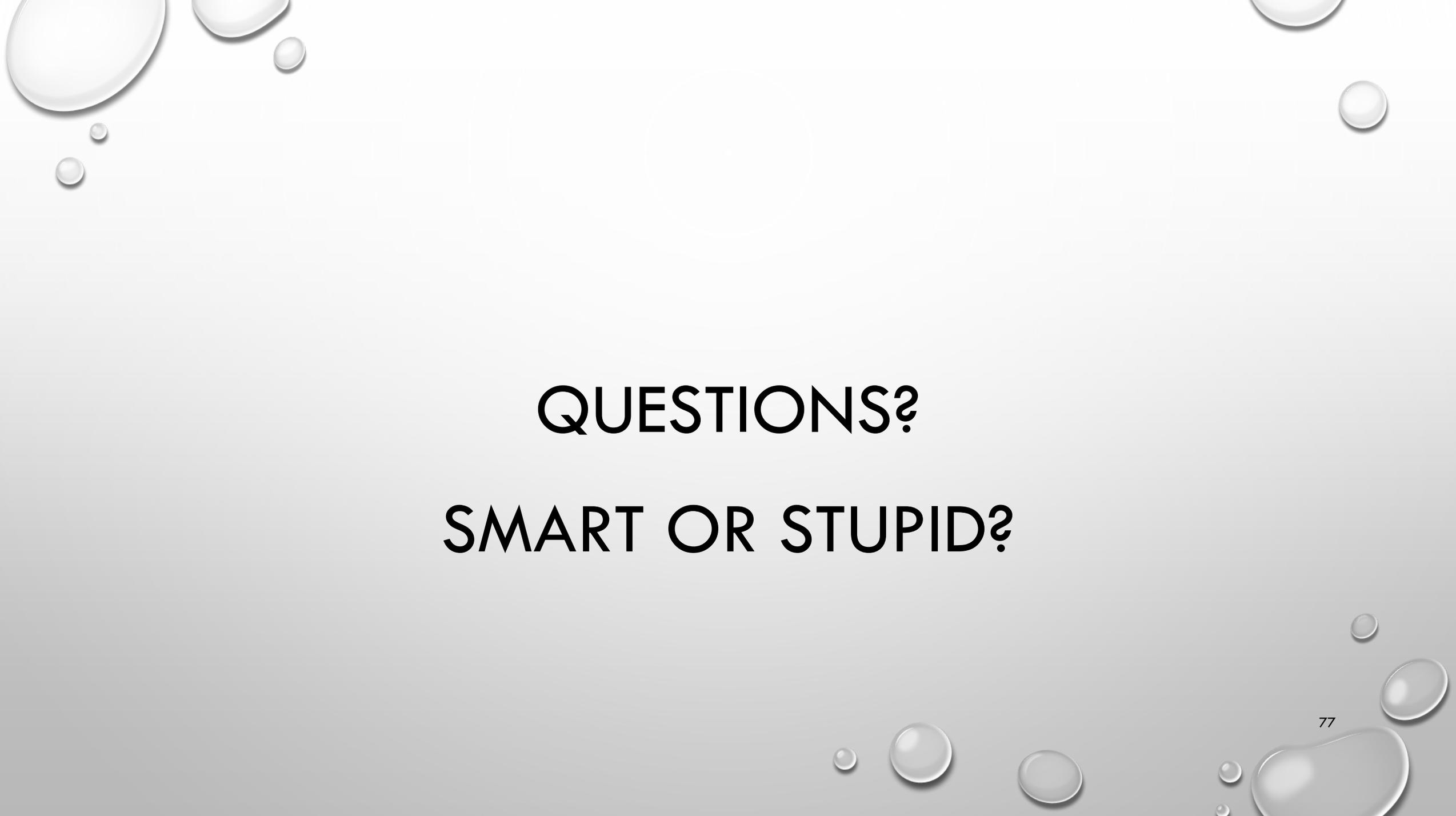
USING THE WORK OF INTERNAL AUDITORS

- THE EXTERNAL AUDITOR SHOULD:
 - 1. REPERFORM SOME OF THE BODY OF WORK OF THE **IA** FUNCTION
 - 2. EXAMINE ITEMS ALREADY EXAMINED BY **IA** OR SUFFICIENT NEW ITEMS
 - 3. REPERFORM SUFFICIENT WORK ON THE **IA'S** BODY OF WORK AS A WHOLE
 - 4. ALL OF THE ABOVE.

SAS 128

USING THE WORK OF INTERNAL AUDITORS

- BEFORE THE CONCLUSION OF THE AUDIT, THE EXTERNAL AUDITOR SHOULD:
 - 1. MAKE INQUIRIES OF APPROPRIATE **IA** PERSONNEL
 - 2. OBSERVE PROCEDURES PERFORMED BY **IA**
 - 3. REVIEW **IA'S** WORK PROGRAM AND WORKING PAPERS
 - 4. OBTAIN WRITTEN REPRESENTATIONS FROM THE **IA**
 - 5. ALL OF THE ABOVE
 - 6. ALL BUT NUMBER 1
 - 7. ALL BUT NUMBER 4

The background features a light gray gradient with several realistic water droplets of varying sizes scattered in the corners. The droplets have highlights and shadows, giving them a three-dimensional appearance.

QUESTIONS?
SMART OR STUPID?

LINGERING IMPLEMENTATION ISSUES

- INDEPENDENCE
- FINANCIAL REPORTING ENTITY
- SERVICE ORGANIZATIONS
- USE OF A SPECIALIST
- GROUP AUDITS
- OPINIONS ON SPECIAL PURPOSE REPORTS

RESTATING BEGINNING BALANCES

- THE ONLY CHARGES OR CREDITS THAT SHOULD DIRECTLY CHANGE FUND BALANCE ARE AS FOLLOWS:
 - EXCESS OF REVENUE OVER (UNDER) EXPENDITURES (EXPENSES).
 - PRIOR PERIOD ADJUSTMENTS: CORRECTIONS OF AN ERROR. EXAMPLE: CORRECTION TO AN ESTIMATE USED IN A PRIOR PERIOD.
 - THE CUMMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE: CHANGING FROM ONE APPROVED GAAP METHOD TO ANOTHER APPROVED AND PREFERABLE GAAP METHOD. EXAMPLE: CHANGING FROM ONE INVENTORY METHOD TO ANOTHER OR ONE DEPRECIATION METHOD TO ANOTHER. CHANGES IN GOVERNMENTAL FUNDS INVENTORIES THAT ARE ACCOUNTED FOR USING THE PURCHASES METHOD.

RESTATING BEGINNING BALANCES

- THE ONLY CHARGES OR CREDITS THAT SHOULD DIRECTLY CHANGE FUND BALANCE ARE AS FOLLOWS (CONT'D):
 - RESTATEMENTS: CHANGES IN ACCOUNTING PRINCIPLES THAT RESULT FROM THE IMPLEMENTATION OF A NEW ACCOUNTING STANDARD WHICH IS REQUIRED TO BE APPLIED RETROACTIVELY. EXAMPLE: DEBT ISSUANCE COSTS UNDER GASB 65.
 - CHANGES IN GOVERNMENTAL FUNDS INVENTORIES THAT ARE ACCOUNTED FOR USING THE PURCHASES METHOD. THIS IS ONLY APPLICABLE WHEN SIGNIFICANT AMOUNTS OF INVENTORY EXIST AND MUST BE RECORDED AS AN INCREASE OR DECREASE OF AN ASSET ON THE GOVERNMENTAL FUND BALANCE SHEET.

RESTATING BEGINNING BALANCES

- RESTATEMENTS SHOULD NOT BE SHOWN OR DESCRIBED AS A “PRIOR PERIOD ADJUSTMENT”. TECHNICALLY SPEAKING, A RESTATEMENT THAT RESULTS FROM IMPLEMENTATION OF A NEW ACCOUNTING STANDARD WOULD NOT BE A “CUMULATIVE EFFECT OF A CHANGE IN ACCOUNTING PRINCIPLE” EITHER. (SEE THE DEFINITIONS ON PAGE 115 OF THE GAAFR - BLUE BOOK.)

RESTATING BEGINNING BALANCES

- CHANGES TO BEGINNING FUND BALANCE OR NET POSITION THAT RESULT FROM IMPLEMENTATION OF A NEW ACCOUNTING STANDARD WOULD SIMPLY BE A “RESTATEMENT”. THE BEST RECENT EXAMPLE IS THE RESTATEMENT REQUIRED BY GASB STATEMENT 65 FOR DEBT ISSUANCE COSTS. DEBT ISSUANCE COSTS HAD BEEN CAPITALIZED AND AMORTIZED PRIOR TO IMPLEMENTING STATEMENT 65. UNDER STATEMENT 65, THESE COSTS SHOULD BE WRITTEN OFF AS AN EXPENSE BY RESTATING BEGINNING FUND NET POSITION.

AVAILABLE VS. UNAVAILABLE

- ACCRUAL VS. MODIFIED ACCRUAL.
- GASB STATEMENT 65, ITEMS PREVIOUSLY REPORTED AS ASSETS AND LIABILITIES, PARAGRAPH 30.
- **30. REVENUE RECOGNITION IN GOVERNMENTAL FUNDS**
- PARAGRAPH 62 OF NCGA STATEMENT 1 PROVIDES THAT REVENUES AND OTHER GOVERNMENTAL FUND FINANCIAL RESOURCES SHOULD BE RECOGNIZED IN THE ACCOUNTING PERIOD IN WHICH THEY BECOME BOTH MEASURABLE AND AVAILABLE. WHEN AN ASSET IS RECORDED IN GOVERNMENTAL FUND FINANCIAL STATEMENTS BUT THE REVENUE IS NOT AVAILABLE, THE GOVERNMENT SHOULD REPORT A DEFERRED INFLOW OF RESOURCES UNTIL SUCH TIME AS THE REVENUE BECOMES AVAILABLE.

AVAILABLE VS. UNAVAILABLE

- **UNAVAILABLE REVENUE**

- ON WHAT FINANCIAL STATEMENTS WOULD THIS ACCOUNT NUMBER BE PRESENTED?

SPECIAL REVENUE FUND REPORTING

- SPECIAL REVENUE FUND REPORTING AS REQUIRED UNDER GASB 54 VS. GASB 14 AND 61.
- WHICH STANDARD WINS WHEN A COMPONENT UNIT IS CLASSIFIED AS A SPECIAL REVENUE FUND UNDER GASB 14 BUT DOES MEET THE SPECIAL REVENUE FUND DEFINITION UNDER GASB 54.
- SPECIAL REVENUE FUNDS ARE USED TO ACCOUNT FOR AND REPORT THE PROCEEDS OF SPECIFIC REVENUE SOURCES THAT ARE RESTRICTED OR COMMITTED TO EXPENDITURE FOR SPECIFIED PURPOSES OTHER THAN DEBT SERVICE OR CAPITAL PROJECTS.

BLENDED SPECIAL REVENUE FUND

- IF A FUND IS LEGALLY DESIGNATED AS A SPECIAL REVENUE FUND, BUT MUST BE REPORTED AS PART OF THE GENERAL FUND PURSUANT TO GAAP, HOW SHOULD ITS BUDGETARY COMPARISON BE PRESENTED?
 - A. INTEGRAL PART OF GENERAL FUND BUDGET
 - B. TREATED AS SPECIAL REVENUE FUND IN COMBINING AND INDIVIDUAL FUND STATEMENTS
 - C. NO BUDGETARY COMPARISON REQUIRED

AU-C 600

GROUP DISCUSSION OF GROUP AUDITS

The background of the slide is a light gray gradient with several realistic water droplets of various sizes scattered across it. The droplets have highlights and shadows, giving them a three-dimensional appearance. The largest droplet is in the bottom right corner, and there are several smaller ones near the top left and bottom center.

SERVICE ORGANIZATION CONTROL REPORTS

FORMERLY SAS 70 REPORTS

SAS NO. 70, SERVICE ORGANIZATIONS

Standard for reporting on a service organization's controls affecting user entities' financial statements

Misuse:

- “SAS 70 Certified” or “SAS 70 Compliant”
- Controls related to subject matter other than internal control over financial reporting

Only for use by service organization management, existing user entities and their auditors

OTHER SERVICE ORGANIZATION CONTROL (SOC) REPORTS

Marketplace demand for detailed report on controls on subject matter other than internal control over financial reporting

- Security
- Availability
- Processing integrity
- Confidentiality
- Privacy

Cloud computing, outsourcing elevated issue

HOW AICPA ADDRESSED ISSUES

Split SAS 70 into two standards: one for service auditors (SSAE 16), the other for user auditors (effective for 2012 year-end audits)

Recognized need for assessment of controls over security, availability, processing integrity, confidentiality or privacy

Brought together all options for reporting on controls at service orgs

Supported public interest by helping CPAs/service orgs correctly apply and use the standards

SERVICE ORGANIZATION CONTROL REPORTSSM

3 reports to help service organizations demonstrate reliability

CPA, client determine proper engagement for market need

SOC logo for service org's marketing, websites

**Information on SOC reports:
aicpa.org/soc**

FOR CPAS WHO PROVIDE THE SERVICES THAT
RESULT IN A SOC 1SM, SOC 2SM OR SOC 3SM
REPORT

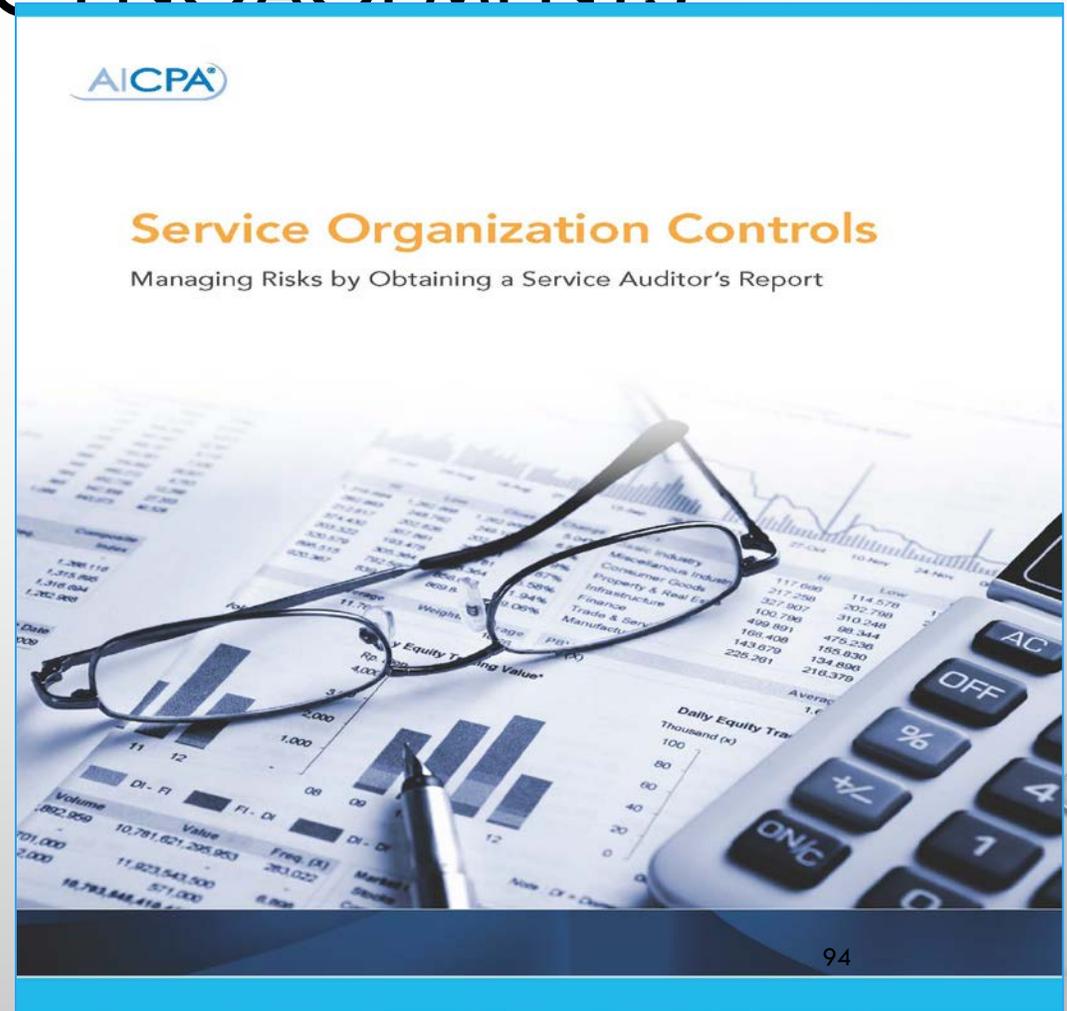
SOC REPORT LOGOS

FOR SERVICE ORGANIZATIONS THAT HAD A SOC
1SM, SOC 2SM OR SOC 3SM ENGAGEMENT
WITHIN THE PAST YEAR



BROCHURE ON SOC ENGAGEMENTS

- PROVIDES HISTORY OF SERVICE ORGANIZATION REPORTING
- EXPLAINS THE 3 SOC REPORTING OPTIONS
- FREE, ONLINE AT [AICPA.ORG/SOC](https://aicpa.org/soc)



NEW STANDARDS AND NAMES

SERVICE ORG CONTROL 1 (SOC 1)	SERVICE ORG CONTROL 2 (SOC 2)	SERVICE ORG CONTROL 3 (SOC 3)
SSAE16 - Service auditor guidance	AT 101	AT 101
Restricted Use Report (Type I or II report)	Generally a Restricted Use Report (Type I or II report)	General Use Report (with a public seal)
Purpose: Reports on controls for F/S audits	Purpose: Reports on controls related to compliance or operations	Purpose: Reports on controls related to compliance or operations

SOC 1SM REPORT (RESTRICTED USE)

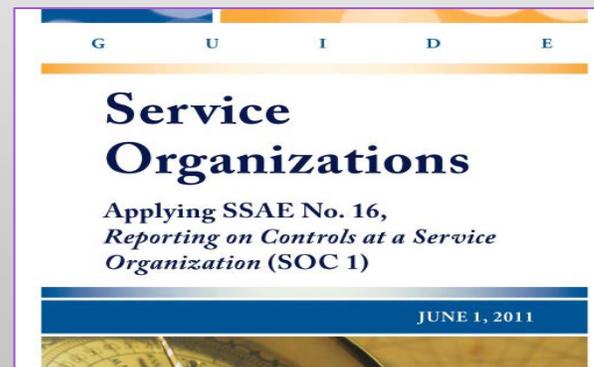
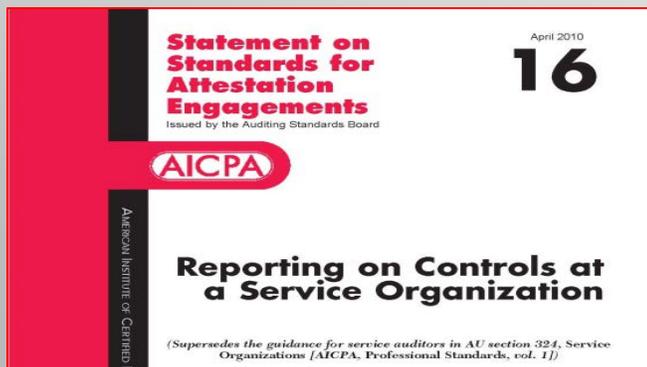
- REPORT ON CONTROLS AT A SERVICE ORGANIZATION RELEVANT TO A USER ENTITY'S INTERNAL CONTROL OVER FINANCIAL REPORTING
- ENGAGEMENT PERFORMED UNDER:
 - SSAE 16 (AUDITOR OBTAINS SAME LEVEL OF EVIDENCE AND ASSURANCE AS IN SAS 70 SERVICE AUDITOR ENGAGEMENT)
 - AICPA GUIDE, *APPLYING SSAE NO. 16, REPORTING ON CONTROLS AT A SERVICE ORGANIZATION*
- CONTENTS OF REPORT PACKAGE:
 - DESCRIPTION OF SERVICE ORGANIZATION'S SYSTEM
 - CPA'S OPINION ON FAIRNESS OF DESCRIPTION, SUITABILITY OF DESIGN, OPERATING EFFECTIVENESS OF CONTROLS

SSAE 16: NEW REQUIREMENT FOR WRITTEN ASSERTION

- SERVICE AUDITOR MUST OBTAIN WRITTEN ASSERTION FROM SERVICE ORGANIZATION'S MANAGEMENT ABOUT THE FAIRNESS OF THE PRESENTATION OF THE DESCRIPTION OF THE SERVICE ORGANIZATION'S SYSTEM AND ABOUT THE SUITABILITY OF THE DESIGN
- FOR TYPE 2 ENGAGEMENTS, OPERATING EFFECTIVENESS OF THE CONTROLS MUST BE INCLUDED IN ASSERTION
- ASSERTION WILL EITHER ACCOMPANY SERVICE AUDITOR'S REPORT OR BE INCLUDED IN DESCRIPTION OF SERVICE ORGANIZATION'S SYSTEM

SOC 1SM REPORTS – TYPE 1 AND TYPE 2

- BOTH REPORT ON THE FAIRNESS OF THE PRESENTATION OF MANAGEMENT'S DESCRIPTION OF THE SERVICE ORGANIZATION'S SYSTEM, AND...
 - TYPE 1 ALSO REPORTS ON THE SUITABILITY OF THE DESIGN OF THE CONTROLS TO ACHIEVE THE RELATED CONTROL OBJECTIVES INCLUDED IN THE DESCRIPTION **AS OF A SPECIFIED DATE**
 - TYPE 2 ALSO REPORTS ON THE SUITABILITY OF THE DESIGN **AND OPERATING EFFECTIVENESS** OF THE CONTROLS TO ACHIEVE THE RELATED CONTROL OBJECTIVES INCLUDED IN THE DESCRIPTION **THROUGHOUT A SPECIFIED PERIOD**

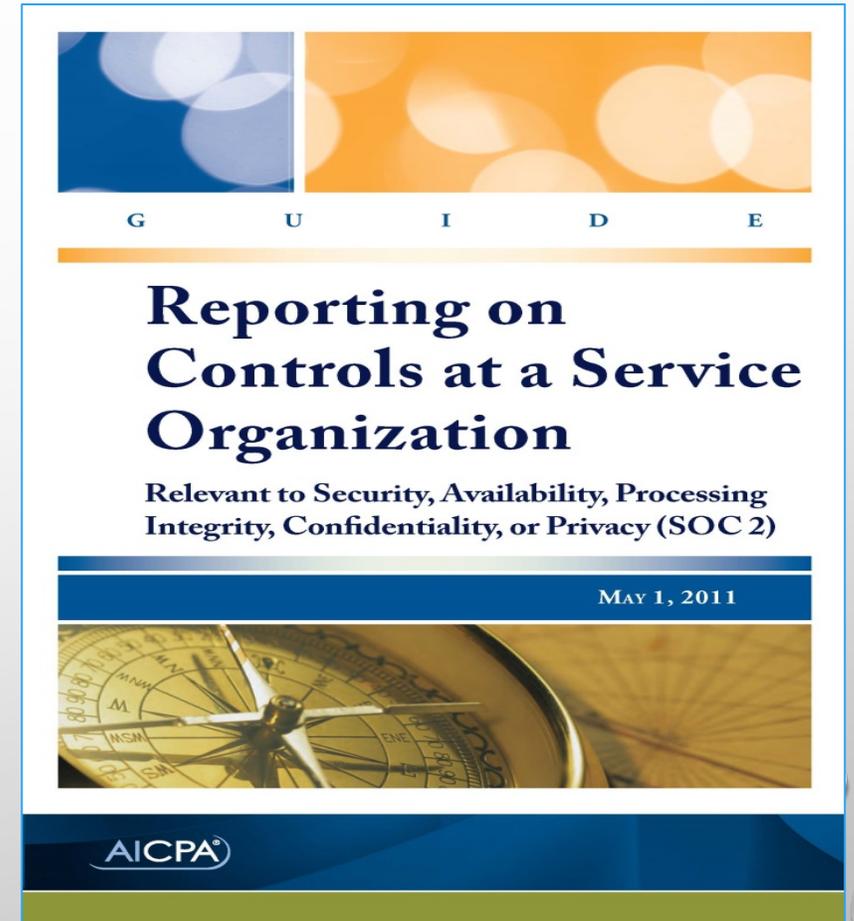


SOC 2SM REPORT (USE DETERMINED BY AUDITOR)

- REPORT ON CONTROLS AT A SERVICE ORGANIZATION RELEVANT TO SECURITY, AVAILABILITY, PROCESSING INTEGRITY, CONFIDENTIALITY OR PRIVACY
- ENGAGEMENT PERFORMED UNDER:
 - AT 101, *ATTESTATION ENGAGEMENTS*
 - AICPA GUIDE, *REPORTING ON CONTROLS AT A SERVICE ORGANIZATION RELEVANT TO SECURITY, AVAILABILITY, PROCESSING INTEGRITY, CONFIDENTIALITY OR PRIVACY*
- CONTENTS OF REPORT PACKAGE SAME AS SOC 1

SOC 2SM REPORTS – TYPE 1 AND TYPE 2

- BOTH REPORT ON MANAGEMENT'S DESCRIPTION OF A SERVICE ORGANIZATION'S SYSTEM, AND ...
 - TYPE 1 ALSO REPORTS ON SUITABILITY OF DESIGN OF CONTROLS
 - TYPE 2 ALSO REPORTS ON SUITABILITY OF DESIGN **AND OPERATING EFFECTIVENESS** OF CONTROLS



SOC 3SM REPORT (GENERAL USE)

- TRUST SERVICES REPORT FOR SERVICE ORGANIZATIONS
- ENGAGEMENT PERFORMED UNDER:
 - AT 101, *ATTESTATION ENGAGEMENTS*
 - AICPA TPA, *TRUST SERVICES PRINCIPLES, CRITERIA AND ILLUSTRATIONS*
- CONTENTS OF REPORT PACKAGE:
 - CPA'S OPINION ON WHETHER ENTITY MAINTAINED EFFECTIVE CONTROLS OVER ITS SYSTEM
 - A SEAL CAN BE ISSUED ON SERVICE ORGANIZATION'S WEBSITE (IF CPA IS SO LICENSED BY CICA)



	Who the users are	Why	What
SOC 1 SM	Users' controller's office and user auditors	Audits of f/s	Controls relevant to user financial reporting
SOC 2 SM	Management Regulators Others	GRC programs Oversight Due diligence	Concerns regarding security, availability, processing integrity, confidentiality or privacy
SOC 3 SM	Any users with need for confidence in service organization's controls	Marketing purposes; detail not needed	Seal and easy to read report on controls

WHICH SOC REPORT IS RIGHT FOR YOU?

Will report be used by your customers and their auditors to plan/perform an audit of their financial statements?	Yes	SOC 1 SM Report
Will report be used by customers and/or stakeholders to gain confidence and place trust in a service organization's system?	Yes	SOC 2 SM or SOC 3 SM Report
Do you need to make report generally available or seal?	Yes	SOC 3 SM Report

DECIDING BETWEEN SOC 2SM AND SOC 3SM REPORTS

Do your customers have the need for/ability to understand the details of processing and controls at a service organization, the tests performed by the service auditor and results of those tests?

Yes	SOC 2 SM Report
No	SOC 3 SM Report

LESSONS LEARNED: *SELECTION OF THE REPORT TYPE AND COVERAGE PERIOD*

- SELECT A REPORT TYPE THAT BEST FITS USER ORGANIZATION'S NEEDS. FINANCIAL REPORTING
 - VENDOR MANAGEMENT
- SELECT AREAS OF COVERAGE THAT USER ORGANIZATIONS ARE CONCERNED WITH.
 - UNDERSTAND THE TOPICS THAT ARE IMPORTANT TO USER ORGANIZATIONS.
- SELECT A TIME FRAME THAT MEETS THE NEEDS OF USER ORGANIZATIONS.
 - SOC 1 REPORT – SIX MONTHS (REQUIRED FOR RELIANCE IN CONJUNCTION WITH FINANCIAL STATEMENT AUDITS)
 - SOC 2 REPORT – AT LEAST TWO MONTHS

LESSONS LEARNED: *BASIS FOR THE ASSERTION*

- THE BASIS FOR MANAGEMENT'S ASSERTION SHOULD BE IN DRAFT FORMAT AT THE BEGINNING OF THE SOC REPORT TIME FRAME.
- ORGANIZATIONS CAN TAKE SEVERAL DIFFERENT APPROACHES TO DEVELOP THE BASIS FOR THEIR ASSERTION.
 - ORGANIZATIONS MAY WANT TO ENSURE THAT 90% TO 100% OF THE CONTROLS SUPPORTING THE SELECTED CONTROL OBJECTIVES ARE MONITORED INTERNALLY.
 - ORGANIZATIONS MAY WANT TO ENSURE THAT ONE OR TWO CRITICAL CONTROLS PER CONTROL OBJECTIVE ARE MONITORED INTERNALLY.
 - MONITORING PROCEDURES MAY VARY FROM ONGOING INTERNAL MONITORING CONTROLS TO OPERATING EFFECTIVENESS TESTING PROCEDURES.
- MANAGEMENT SHOULD ALSO DEVELOP PROCESSES TO UPDATE THE BASIS TRACKING DOCUMENTATION ON A FREQUENT BASIS.
 - FREQUENT UPDATES ALLOW MANAGEMENT TO PROACTIVELY IDENTIFY CONTROLS WEAKNESSES AND TO ENSURE THAT MONITORING PROCEDURES ARE IN PLACE.

LESSONS LEARNED: *RISK ASSESSMENT*

- THE RISK ASSESSMENT PERFORMED BY MANAGEMENT SHOULD BE IN DRAFT FORMAT AT THE BEGINNING OF THE SOC REPORT TIME FRAME.
- THE RISK ASSESSMENT SHOULD BE UPDATED DURING THE SOC REPORTING TIME FRAME TO REFLECT CHANGES IN RISKS AND MONITORING ACTIVITIES.
- RISK IDENTIFICATION SHOULD BE FOCUSED ON THE CONTENT COVERED IN THE REPORT.

SUMMARY AND CONCLUSION

- LESSONS LEARNED

- SERVICE ORGANIZATIONS HAD CHALLENGES WITH REPORT TYPE AND COVERAGE SELECTIONS
 - SERVICE ORGANIZATIONS HAD CHALLENGES MANAGEMENT'S ASSERTION AND THE BASIS FOR THE ASSERTION
 - SERVICE ORGANIZATIONS INCREASED THE INFORMATION INCLUDED IN THE DESCRIPTION OF SYSTEMS
 - COMMUNICATION OF COMPLEMENTARY USER ENTITY CONTROLS TO USER ORGANIZATIONS
 - COMMUNICATION OF SIGNIFICANT CHANGES TO SERVICE AUDITORS
 - INCREASE IN DISCLOSURE OF SUBSERVICE ORGANIZATIONS
 - USE INTERIM VISIT TO PREVENT SURPRISES
 - LEVERAGE WORK PERFORMED BY INTERNAL AUDIT
- FUTURE PREDICTIONS AND SUGGESTIONS MULTIPLE TYPES OF REPORTS WILL BE PROVIDED.
 - THE NUMBER OF SOC 2 REPORTS WILL INCREASE.
 - WORK OF INTERNAL AUDIT WILL BE USED TO CUT COSTS.
 - THE PROCESS WILL BE LESS DISRUPTIVE GOING THROUGH THE AUDIT.
 - PREPARATION FOR THE EXAMINATION IS, AND WILL CONTINUE TO BE, CRITICAL TO THE PROCESS.

MORE INFORMATION ON AICPA.ORG/SOC

The screenshot shows the AICPA website's navigation and content for Service Organization Control Reports. The header includes the AICPA logo and the text "American Institute of CPAs". A horizontal menu contains links for Membership, AICPA News, Publications, CPE & Conferences, Interest Areas, Research, Career, Become a CPA, Advocacy, For the Public, and AICPA Store. Below the menu is a breadcrumb trail: Home > Interest Areas > Accounting & Auditing > Resources > Service Organization Control Reports.

The main content area is titled "Service Organization Control Reports" and includes a descriptive paragraph: "Service Organizations Control reports are internal control reports on the services provided by a service organization providing valuable information that users need to assess and address the risks associated with an outsourced service." Below this are three columns of information:

- CPAs**: Provides information to user auditors and service auditors on understanding and performing SOC engagements.
- Service Organizations**: Provides information to service organization on building trust and confidence in the systems.
- Users**: Provides information to user entities on how to mitigate the risks associated with outsourcing services.

On the left side, there are three sections:

- Service Organization Control Reports**: A header for the main content area.
- Quick Links**: Contains a link for "SOC Brochure".
- Browse**: Contains two dropdown menus:
 - By Date**: "Last month (1)", "Last year (10)".
 - By Document Type**: "Article (5)", "Overview (4)", "FAQ (1)".

At the bottom, there are two sections:

- Spotlight**: Features an image of four business professionals in a meeting and a link to "FAQ Service Organization Standards and Implementation Guidance Questions and answers to help explain the changes resulting from the issuance of SSAE 16".
- AICPA TV**: Features a video player showing a man speaking.

... AND ON CPA2BIZ.COM

The screenshot displays the AICPA Store website interface. At the top left, the AICPA Store logo is shown with the text "American Institute of CPAs". To the right, it says "Brought to you by CPA2Biz". Below the header is a navigation menu with links for CPE, Conferences, Publications, Web Events, Member Discounts, Career Center, Newsletters, Trusted Business AdvisorSM Solutions, AICPA.org, and IFRS.com. A search bar is located below the menu, with the text "SEARCH Keyword or Product #", a dropdown menu set to "Entire Site", and a "GO" button. The main content area is titled "Home > Service Organization Control (SOC) Reports". On the left, a yellow sidebar contains the heading "SOC" and a section "BY PRODUCT" with links for CPE, Conferences, Publications, and Web Events. Below this is a link to "VISIT AICPA.ORG/SOC". The main content area features a large blue banner for "Service Organization Control (SOC) Reports" with a circular logo that says "AICPA Service Organization Control Reports SOC aicpa.org/soc Formerly SAS 70 Reports". The banner text reads: "With increased outsourcing to service organizations and use of cloud computing as well as a greater interest in controls other than internal controls over financial reporting, SAS 70 reports have been replaced by three new reporting options:". Below the banner are three columns for "SOC 1", "SOC 2", and "SOC 3", each with a brief description. At the bottom, a "FEATURED PRODUCTS" section shows a carousel of product covers, including "Reporting on Controls at a Service Organization" and "A+ CPE".

AICPA Store
American Institute of CPAs

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CPE Conferences Publications Web Events Member Discounts Career Center Newsletters Trusted Business AdvisorSM Solutions AICPA.org IFRS.com

SEARCH Keyword or Product # Entire Site **GO**

Home > **Service Organization Control (SOC) Reports**

SOC

BY PRODUCT

- [CPE](#)
- [Conferences](#)
- [Publications](#)
- [Web Events](#)

VISIT AICPA.ORG/SOC

AICPA Service Organization Control Reports
SOC
aicpa.org/soc
Formerly SAS 70 Reports

Service Organization Control (SOC) Reports

With increased outsourcing to service organizations and use of cloud computing as well as a greater interest in controls other than internal controls over financial reporting, SAS 70 reports have been replaced by three new reporting options:

SOC 1
SOC 1: Reporting on Controls at a Service Organization Relevant to User Entities' Internal Control over Financial Reporting

SOC 2
SOC 2: Reporting on Controls at a Service Organization Relevant to Security, Availability, Processing Integrity, Confidentiality, or Privacy

SOC 3
SOC 3: Trust Services Report for Service Organizations

FEATURED PRODUCTS 1 2 3

Reporting on Controls at a Service Organization
A+ CPE
CPAs

QUESTIONS?



GERRY BOAZ, CPA, CGFM

TN DIVISION OF STATE AUDIT TECHNICAL
MANAGER

PHONE: (615) 747-5262

EMAIL: GERRY.BOAZ@COT.TN.GOV



SPECIAL PURPOSE REPORTS (OCBOA)

WHEN IS OCBOA APPROPRIATE?

- The entity is not contractually or legally required to issue GAAP financial statements
- Internal and external users understand the OCBOA presentation
 - Understand limitations
 - Believe the OCBOA is relevant for their needs
- Entity does not have the skills, knowledge or experience to prepare GAAP financial statements
- It is cost effective to prepare OCBOA financial statements
- The entity's operations are conducive to an OCBOA presentation
- The entity is required or permitted by law or regulation to prepare OCBOA financial statements.

OCBOA USE IN STATE & LOCAL GOVERNMENTS

- Cash receipts and disbursement basis (pure cash basis)
 - Limited to the reporting of cash and cash equivalents and changes therein
- Modified cash basis
 - Modifications to cash receipt and disbursement transactions or events only
 - Modifications should have substantial support in GAAP and be logical
 - Example: capitalizing fixed assets resulting from a cash disbursement and recording depreciation on those assets

OCBOA USE IN STATE & LOCAL GOVERNMENTS (CONT.)

- Regulatory basis
 - In accordance with the requirements or financial reporting provisions of a regulatory agency
 - Regulator and regulations determine the framework, including measurement, recognition, presentation and disclosure requirements
 - Example: Basis of accounting prescribed by a state agency for school districts for filing with the state department of education.
- Regulatory basis cannot simply be cash or modified cash basis.
 - If a regulatory agency allows entities subject to their jurisdiction to follow the cash or modified cash basis of accounting without any further description of specific recognition, measurement, presentation or disclosure requirements, the financial statements should be considered prepared under the cash or modified cash basis of accounting, not a regulatory basis.

AUTHORITATIVE STANDARDS

- No real authoritative accounting standards in the U.S. for OCBOA
- Some auditing standards for compiling, reviewing and auditing OCBOA statements
 - SSARS 19, *Compilation and Review Engagements*
 - AU-C Section 800 – *Special Purpose Frameworks* issued as part of the clarified audit standards and is effective for audits of financial statements for periods ending on or after December 15, 2012

NON-AUTHORITATIVE STANDARDS

- AICPA Practice Aids
 - “Accounting and Financial Reporting Guidelines for Cash- and Tax-Basis Financial Statements”
 - “Applying OCBOA in State and Local Governmental Financial Statements”
 - Non-authoritative
 - Prepared and reviewed by subject matter experts
 - Intended to provide preparers with the accounting and financial reporting guidelines and best practices that promote consistency and address questions
- AICPA Financial Reporting Framework for Small- and Medium-Sized Entities (FRF for SMEs)
 - new accounting option for preparing streamlined, relevant financial statements for privately held businesses that are not required to use GAAP

APPLICABILITY OF GAAP

- AU-C Section 800 – *Special Purpose Frameworks* states that if GAAP sets forth requirements that apply to the presentation of financial statements, the OCBOA financial statements may either comply with those requirements or provide information that communicates the substance of those requirements.
 - i.e. GASB presentation requirements generally apply, in substance, to OCBOA basic statements of state and local governments issuing a complete set of financial statements.

“IN SUBSTANCE” GUIDANCE

- The substance of GAAP presentation requirements may be communicated using qualitative information and without modifying the financial statement format
- Examples:
 - For certain governments, the government-wide and fund financial statements could be combined with an adjustment column
 - Instead of reporting net position or fund balance by classification on the face of the financial statements, such breakdown could be included in the footnotes
 - Information about extraordinary or special items could be disclosed in the notes rather than separately presented in the statements
 - A cash flow statement for proprietary funds would not be needed for pure cash basis financial statements if the presentation requirements are already met in the other statements.



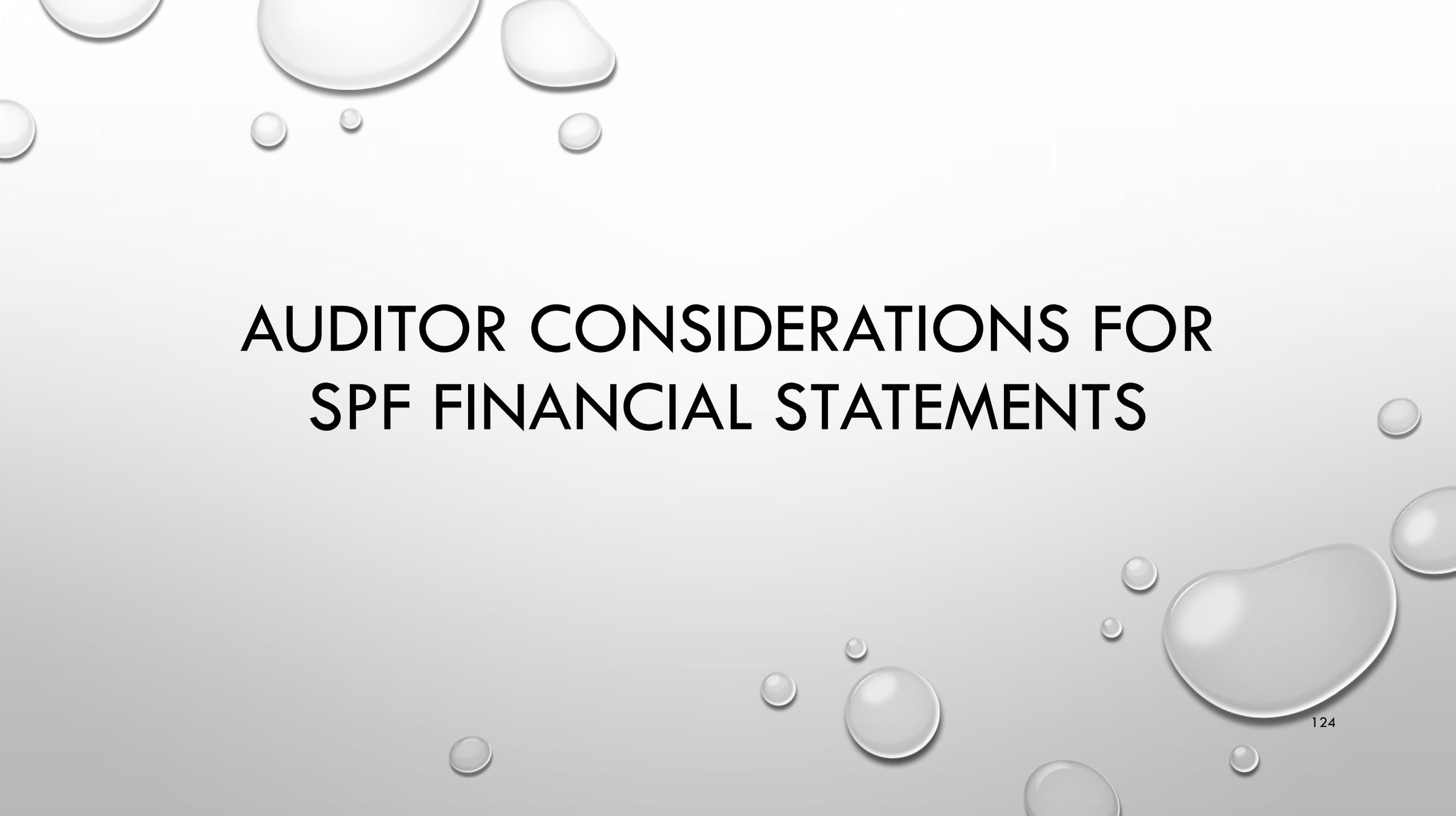
SPECIAL PURPOSE FRAMEWORK (SPF) DISCLOSURES

SSAP DISCLOSURES

- Summary of significant accounting policies including:
 - A description of the financial reporting entity
 - A description of the financial statement presentation policies
 - Government-wide
 - Fund
 - A description of the OCBOA used, and the OCBOA differences from GAAP (not quantified)
 - Policies related to specific assets, liabilities, and net position/fund balance accounts
 - Policies related to specific revenue and expenditure/expense accounts

SIMILAR GAAP & OTHER DISCLOSURES

- Informative disclosures similar to those required by GAAP if the statements contain items that are the same or similar to those in GAAP statements (e.g., Cash & investments, Long-term debt, Interfund balances and transactions)
- However, the disclosures need not include information that is not relevant to the basis of accounting or framework used
- Other general informative disclosures (limited to the extent applicable to the basis of accounting or framework used)
 - Pensions and OPEB
 - Risk management
 - Commitments and contingencies
 - Use of estimates and other uncertainties
 - Subsequent events
 - Related party transactions
 - Material noncompliance
 - Going concern issues

The background of the slide is a light gray gradient with several realistic water droplets of various sizes scattered across it. The droplets have highlights and shadows, giving them a three-dimensional appearance. The text is centered in the middle of the slide.

AUDITOR CONSIDERATIONS FOR SPF FINANCIAL STATEMENTS

AUDITOR CONSIDERATIONS

- AU-C Section 210 – *Terms of Engagement* requires the auditor to determine the acceptability of the financial reporting framework applied in the preparation of the financial statements
 - In an audit of special purpose financial statements, the auditor should obtain an understanding of:
 - the purpose for which the financial statements are prepared,
 - the intended users, and
 - the steps taken by management to determine that the applicable financial reporting framework is acceptable in the circumstances.
- Auditor must comply with all AU-C sections that are relevant to the audit

AUDITOR CONSIDERATIONS

- AU-C Section 700 – *Forming an Opinion and Reporting on Financial Statements*
 - requires the auditor to evaluate whether the financial statements adequately refer to or describe the applicable financial reporting framework
 - In an audit of special purpose financial statements, the auditor should evaluate whether the financial statements are:
 - suitably titled,
 - include a summary of significant accounting policies, and
 - adequately describe how the special purpose framework differs from GAAP (the effects of the differences need not be quantified)

AUDITOR CONSIDERATIONS

- AU-C Section 700 – *Forming an Opinion and Reporting on Financial Statements* also requires the auditor to evaluate whether the financial statements achieve fair presentation
 - In an audit of special purpose financial statements, when the special purpose financial statements contain items that are the same as, or similar to items in GAAP financial statements, the auditor should evaluate whether the financial statements include disclosures similar to those required by GAAP.
 - The auditor should also evaluate whether additional disclosures, beyond those specifically required by the framework, related to matters that are not specifically identified on the face of the financial statements or other disclosures are necessary for the financial statements to achieve fair presentation.

AUDITOR CONSIDERATIONS – Auditor's Report

- The explanation of management's responsibility for the financial statements should make reference to management's responsibility for determining that the applicable financial reporting framework is acceptable in the circumstances (unless management does not have a choice of which framework to use)
- Except for regulatory basis financial statements intended for general use, the auditor's report should include an emphasis-of-matter paragraph that the financial statements are prepared in accordance with a special purpose framework
 - Include appropriate heading
 - Indicate that the financial statements are prepared in accordance with the applicable special purpose framework
 - Refer to the note to the financial statements that describes that framework
 - State that the special purpose framework is a basis of accounting other than GAAP

AUDITOR CONSIDERATIONS – Auditor's Report

- For regulatory basis financial statements intended for general use, the auditor's report should not include an emphasis-of-matter paragraph.

Instead, the auditor should:

- Express an opinion about whether the special purpose financial statements are presented fairly, in all material respects, in accordance with GAAP (adverse)
- In a separate paragraph, express an opinion about whether the financial statements are prepared in accordance with the special purpose framework

AUDITOR CONSIDERATIONS – Auditor's Report

- Restricting the use of the auditor's report
 - The auditor's report on special purpose financial statements should include an other-matter paragraph, under an appropriate heading, that restricts the use of the report when the special purpose financial statements are prepared in accordance with:
 - a contractual basis of accounting
 - a regulatory basis of accounting not intended for general use
 - an other basis of accounting if the measurement or disclosure criteria used is:
 - suitable only for a limited number of users who can be presumed to have an adequate understanding of the criteria
 - available only to specified parties

AUDITOR CONSIDERATIONS – Auditor’s Report

	Cash Basis	Tax Basis	Regulatory Basis	Regulatory Basis (General Use)	Contractual Basis	Other Basis
Opinion	Single opinion on special purpose framework.	Single opinion on special purpose framework.	Single opinion on special purpose framework.	Dual opinion on special purpose framework and GAAP.	Single opinion on special purpose framework.	Single opinion on special purpose framework.
<i>Description of purpose for which special purpose financial statements are prepared</i>	No	No	Yes	Yes	Yes	Yes, if restricted use
<i>Emphasis-of-matter paragraph alerting readers regarding the preparation in accordance with a special purpose framework</i>	Yes	Yes	Yes	No	Yes	Yes
<i>Other-matter paragraph including an alert restricting the use of the auditor’s report</i>	No	No	Yes	No	Yes	Depends on basis (if suitable only for certain users, should restrict use to only them)

AUDITOR CONSIDERATIONS – Auditor's Report

- Auditor's Report examples:
 - Cash Basis of Accounting
 - Regulatory Basis of Accounting (not intended for general use)
 - Regulatory Basis of Accounting (intended for general use)

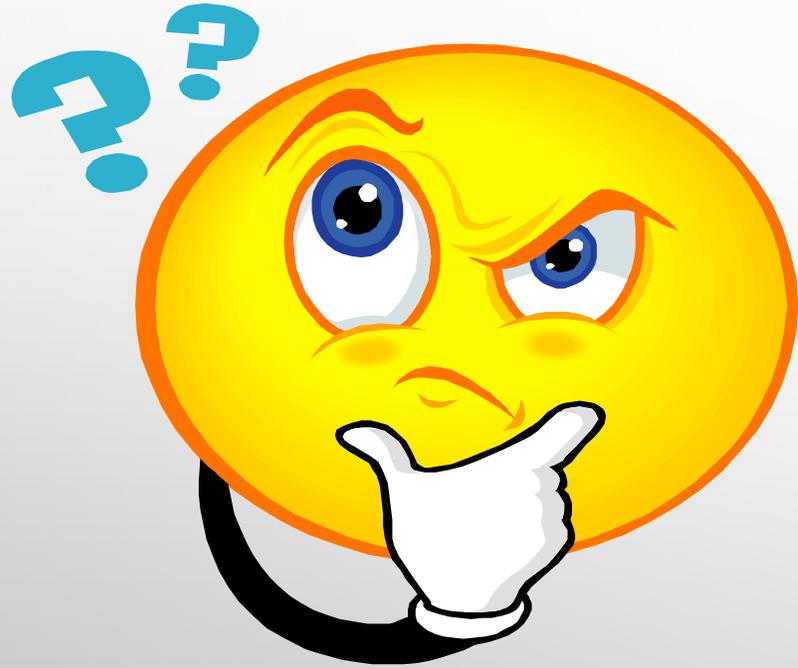
MONTANA EXAMPLE

- **Regulatory Basis of Accounting:**

- [..\..\..\Technical Manager\Technical Inquiry\Regulatory Basis Financial Statements\AU-C 800 Special Considerations Special Purpose Frameworks.pdf](#)

- [..\..\..\TECHNICAL MANAGER\TECHNICAL INQUIRY\REGULATORY BASIS FINANCIAL STATEMENTS\GOVERNANCE REQUIREMENTS AND FINANCIAL PRESENTATIONS.PDF](#)

QUESTIONS?



GERRY BOAZ, CPA, CGFM

TN DIVISION OF STATE AUDIT TECHNICAL
MANAGER

PHONE: (615) 747-5262

EMAIL: GERRY.BOAZ@COT.TN.GOV

The background of the slide is a light gray gradient with several realistic water droplets of various sizes scattered across it. The droplets have highlights and shadows, giving them a three-dimensional appearance. The text is centered in the middle of the slide.

SINGLE AUDIT UPDATE / THE NEW “SUPER CIRCULAR”

The background of the slide is a light gray gradient. It is decorated with several realistic water droplets of various sizes and shapes, scattered across the top and bottom edges. The droplets have highlights and shadows, giving them a three-dimensional appearance.

PROPOSED CHANGES

- OUR LETTER TO OMB.

PROPOSALS

- **REFORM OF FEDERAL POLICIES RELATING TO GRANTS AND COOPERATIVE AGREEMENTS; COST PRINCIPLES AND ADMINISTRATIVE REQUIREMENTS (INCLUDING SINGLE AUDIT ACT)**
- RELEASED IN THE FEDERAL REGISTER FEBRUARY 28, 2012
- RESULT OF OVER A YEAR OF WORK BY FEDERAL / STATE / LOCAL / IG TASK FORCE ORDERED BY E.O. 13520
 - **GOALS :**
 - **REDUCE FRAUD, WASTE AND ABUSE**
 - **INCREASE CROSS-COLLABORATION**
 - **STREAMLINE REPORTING AND ADJUDICATION OF FINDINGS**
 - **CUT RULES THAT ARE BURDENSOME, INEFFECTIVE ETC.**

PROPOSALS

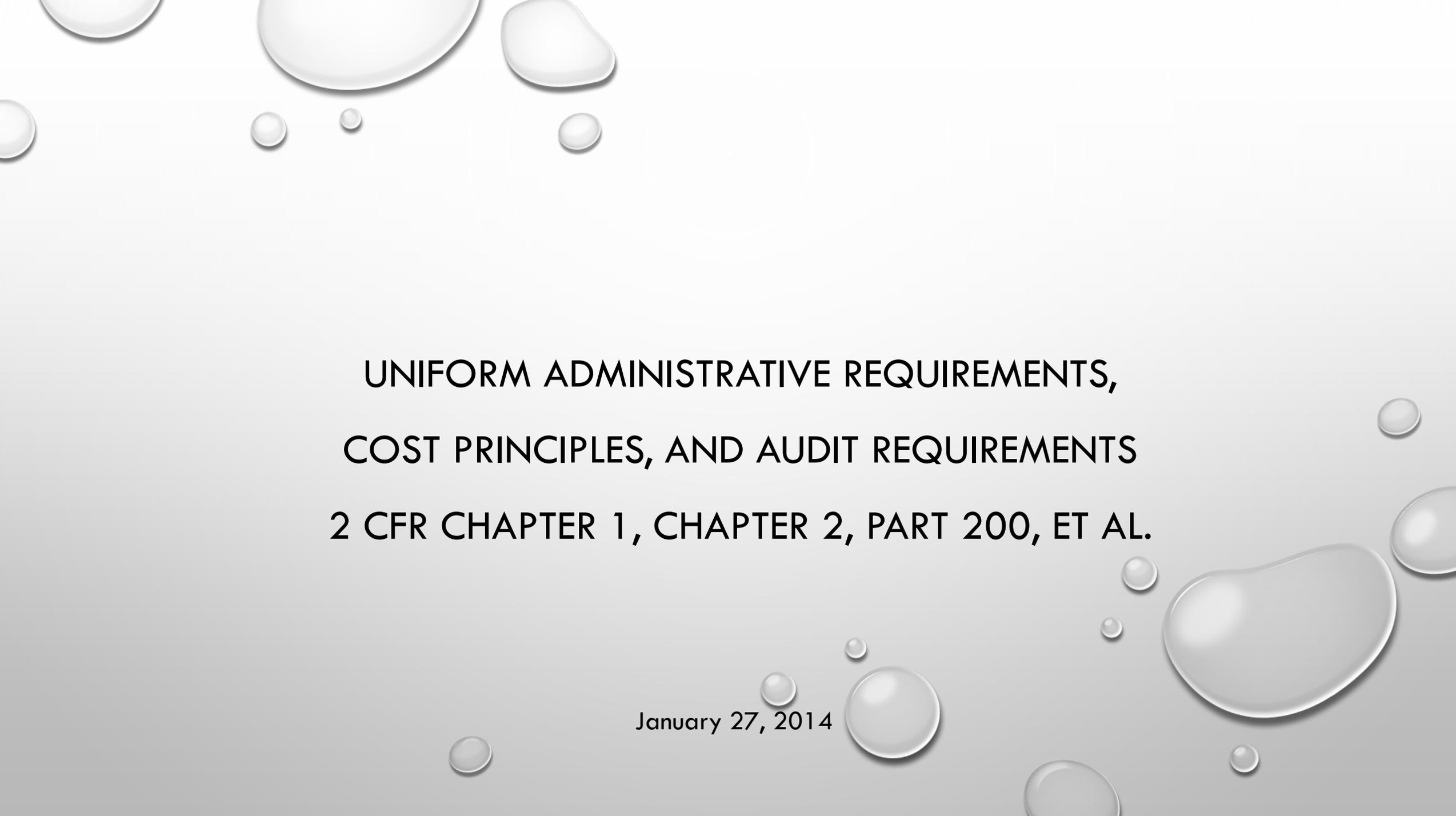
- THE PROPOSALS FELL UNDER 3 SECTIONS:
- SECTION A – REFORMS TO A-133 AND THE SINGLE AUDIT ACT
- SECTION B – REFORMS TO COST ACCOUNTING PRINCIPLES – A-87 (ALSO A-21 / A-122)
- SECTION C- REFORMS TO THE COMMON *RULE* (A-102)

The background of the slide is a light gray gradient with several realistic water droplets of various sizes scattered across it. The droplets have highlights and shadows, giving them a three-dimensional appearance. The text is centered on the page.

NEW SUPERCIRCULAR

INDEX – PART 200 CFR

- SUBPART A – ACRONYMS AND DEFINITIONS
- SUBPART B – GENERAL PROVISIONS
- SUBPART C – PRE-AWARD REQUIREMENTS AND CONTENTS OF FEDERAL AWARDS
- SUBPART D - POST FEDERAL AWARD REQUIREMENTS
- SUBPART E – COST PRINCIPLES
- SUBPART F – AUDIT REQUIREMENTS

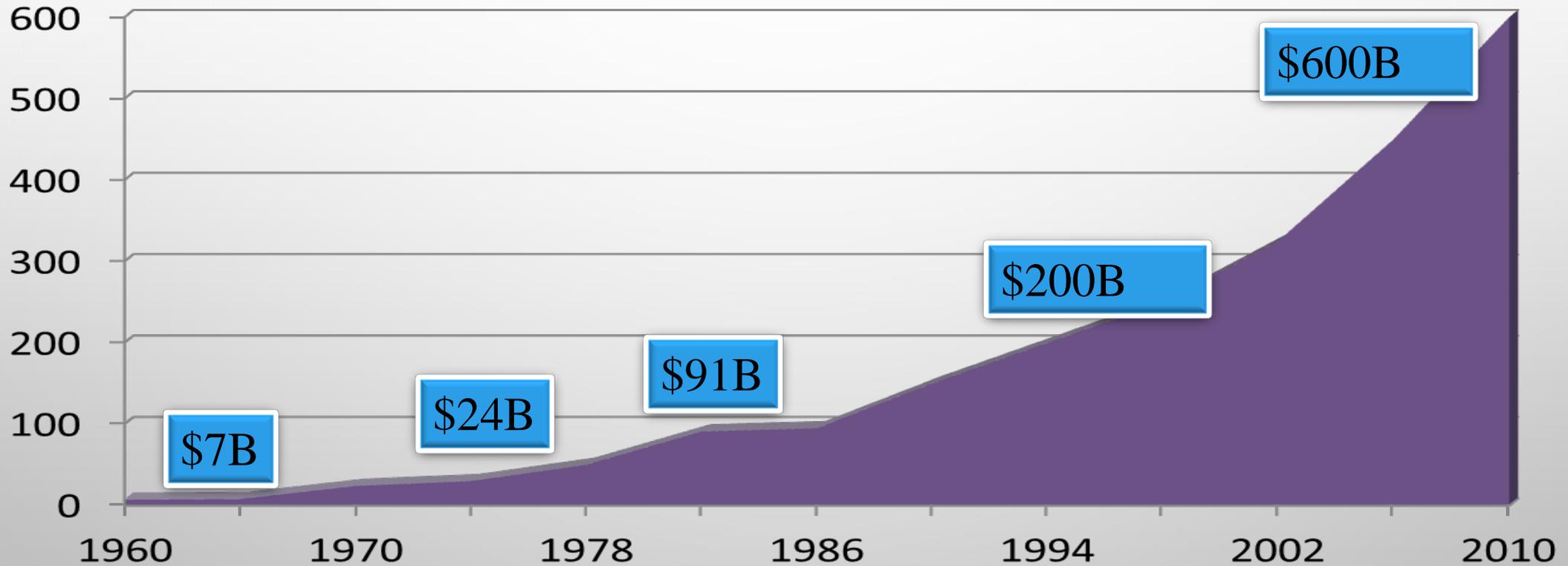


UNIFORM ADMINISTRATIVE REQUIREMENTS,
COST PRINCIPLES, AND AUDIT REQUIREMENTS
2 CFR CHAPTER 1, CHAPTER 2, PART 200, ET AL.

January 27, 2014

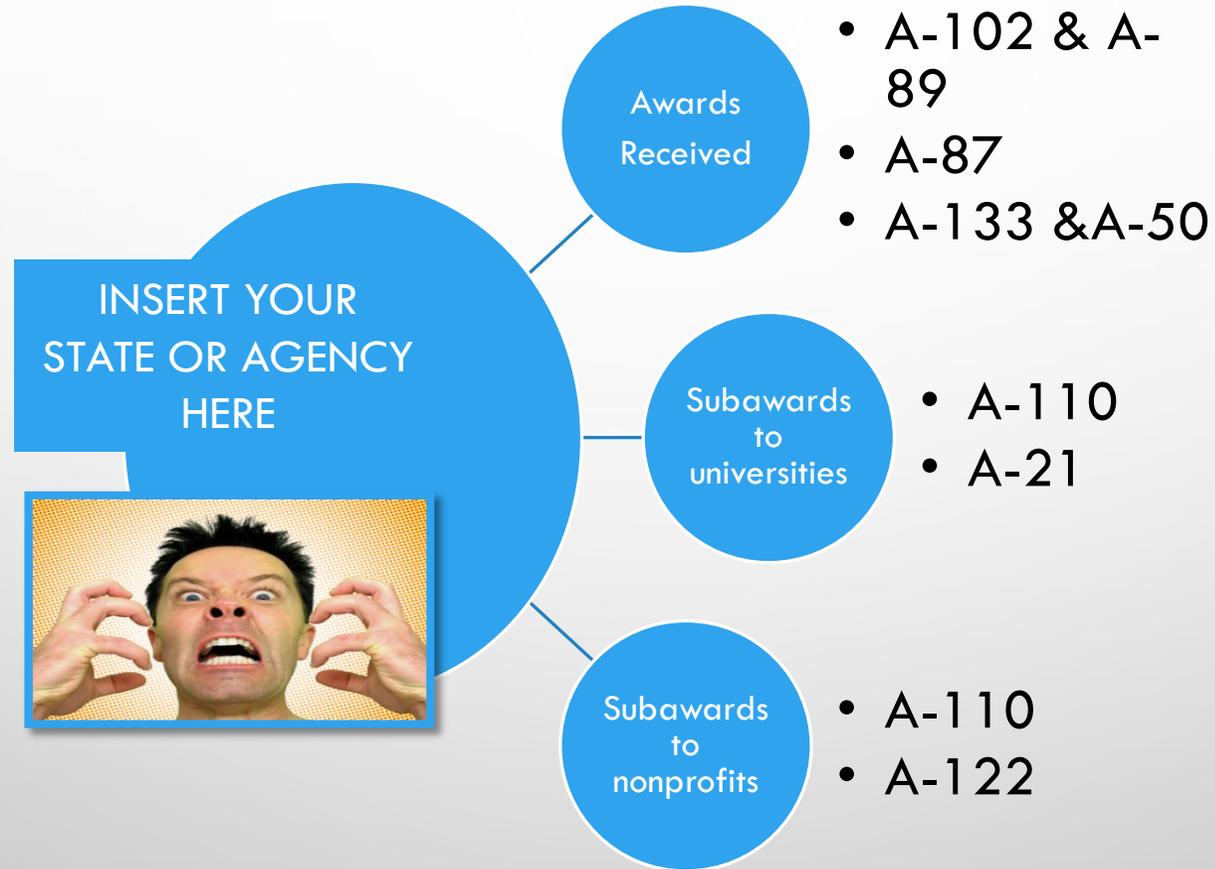
WHY DONE? - INCREASE IN FEDERAL GRANTS ACTIVITY

The Catalog of Federal Domestic Assistance lists over **2,000** Federal grant programs

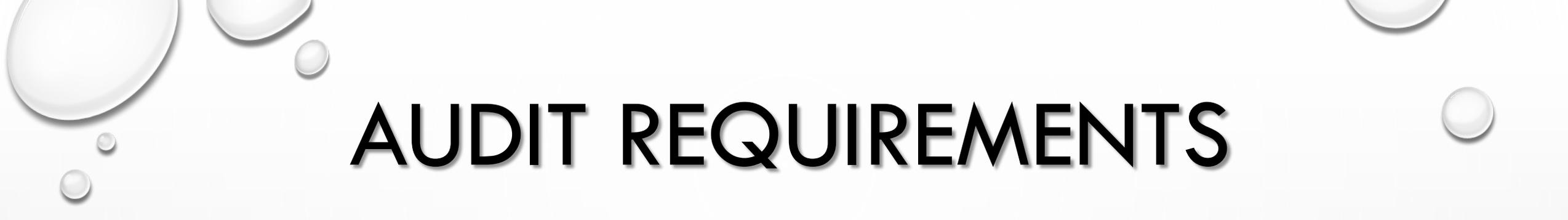


ELIMINATED DUPLICATIVE AND CONFLICTING GUIDANCE

Then:



Now: All OMB guidance streamlined in 2 CFR 200.



AUDIT REQUIREMENTS

REFORMS TO CIRCULARS A-133 AND A-50

January 27, 2014



AUDIT REQUIREMENTS

THIS SECTION HIGHLIGHTS THE MAJOR POLICY CHANGES TO THE GOVERNMENT-WIDE REQUIREMENTS FOR AUDIT OF FEDERAL AWARDS UNDER THE SINGLE AUDIT ACT AMENDMENTS OF 1996. THESE AUDIT REQUIREMENTS ARE CURRENTLY FOUND IN OMB CIRCULAR A-133, "AUDITS OF STATES, LOCAL GOVERNMENTS, AND NON-PROFIT ORGANIZATIONS AND WILL BE REPLACED BY SUBPART F-AUDIT REQUIREMENTS IN 2 CFR PART 200 WHICH WAS PUBLISHED IN THE FEDERAL REGISTER ON DECEMBER 26, 2013.

TARGETING AUDIT REQUIREMENTS ON RISK OF WASTE, FRAUD, AND ABUSE

The final guidance right-sizes the footprint of oversight and Single Audit requirements to strengthen oversight and focus audits where there is greatest risk of waste, fraud, and abuse of taxpayer dollars.

It improves transparency and accountability by making single audit reports available to the public online, and encourages Federal agencies to take a more cooperative approach to audit resolution in order to more conclusively resolve underlying weaknesses in internal controls.

REVISIONS FOCUS AUDIT ON RISK

- INCREASES AUDIT THRESHOLD.
- STRENGTHENS RISK-BASED APPROACH TO DETERMINE MAJOR PROGRAMS.
- PROVIDES FOR GREATER TRANSPARENCY OF AUDIT RESULTS.
- STRENGTHENS AGENCY USE OF THE SINGLE AUDIT PROCESS.
- PROVIDES FOR PUBLIC OUTREACH TO FOCUS COMPLIANCE SUPPLEMENT ON REQUIREMENTS OF HIGHEST RISK.

BASIC STRUCTURE OF SINGLE AUDIT PROCESS UNCHANGED

- AUDIT THRESHOLD (200.501).
- SUBRECIPIENT VS. CONTRACTOR (200.501(F) & 200.330).
- BIENNIAL (200.504) & PROGRAM-SPECIFIC (200.507) AUDITS.
- NON-FEDERAL ENTITY SELECTS AUDITOR (200.509).
- AUDITEE PREPARES FINANCIAL STATEMENTS & SEFA(200.510).
- AUDIT FOLLOW-UP & CORRECTIVE ACTION(200.511 & 200.521).
- 9 MONTH DUE DATE (SET IN LAW) (200.512(A)).
- REPORTING TO FEDERAL AUDIT CLEARINGHOUSE (200.512).
- MAJOR PROGRAMS DETERMINED BASED ON RISK (200.518).
- COMPLIANCE SUPPLEMENT OVERALL FORMAT.

AUDIT THRESHOLD (200.501)

- THE COFAR CONSIDERED THAT RAISING THE THRESHOLD WOULD ALLOW FEDERAL AGENCIES TO FOCUS THEIR AUDIT RESOLUTION RESOURCES ON THE FINDINGS THAT PUT HIGHER AMOUNTS OF TAXPAYER DOLLARS AT RISK, THUS BETTER MITIGATING OVERALL RISKS OF WASTE, FRAUD, AND ABUSE ACROSS THE GOVERNMENT.
- FURTHER, THE COFAR NOTES THAT PROVISIONS THROUGHOUT THE GUIDANCE, INCLUDING PRE-AWARD REVIEW OF RISKS, STANDARDS FOR FINANCIAL AND PROGRAM MANAGEMENT, SUBRECIPIENT MONITORING AND MANAGEMENT, AND REMEDIES FOR NONCOMPLIANCE PROVIDE A STRENGTHENED LEVEL OF OVERSIGHT FOR NON-FEDERAL ENTITIES THAT WOULD FALL BELOW THE NEW THRESHOLD.

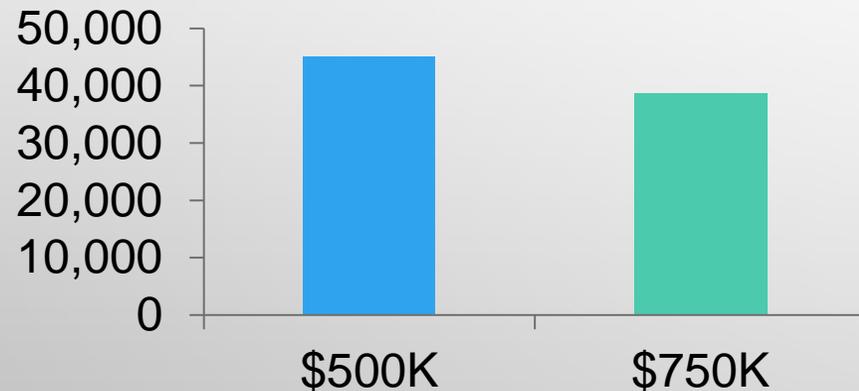
AUDIT THRESHOLD

- INCREASES AUDIT THRESHOLD FROM \$500,000 TO \$750,000.
- MAINTAINS OVERSIGHT OVER 99.7% OF THE DOLLARS CURRENTLY SUBJECT SINGLE AUDIT AND REDUCES AUDIT BURDEN FOR APPROXIMATELY 6,300 ENTITIES.
- INCREASE OF \$250,000 IS IN LINE WITH PREVIOUS THRESHOLD INCREASE IN 2003.

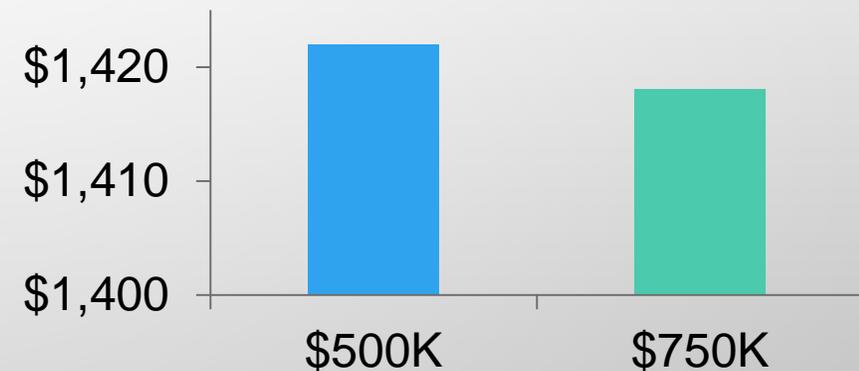
SINGLE AUDIT THRESHOLD CHANGE

- INCREASE AUDIT THRESHOLD FROM \$500,000 TO \$750,000
- BASED ON SINGLE AUDITS SUBMITTED TO THE FAC FOR 2011, THERE WOULD BE APPROXIMATELY 6,300 FEWER ENTITIES SUBJECT TO A SINGLE AUDIT, BUT THERE WOULD ONLY BE A REDUCTION IN DOLLARS COVERED OF APPROXIMATELY \$3.9 BILLION, OR LESS THAN 1%

Number of Single Audits



Total Dollars Covered (in billions)



OMB's goal is to concentrate audit resolution and oversight resources on higher dollar and higher risk awards.

MAJOR PROGRAM DETERMINATION

200.518 Major Program Determination focuses audits on the areas with internal control deficiencies that have been identified as material weaknesses. Future updates to the Compliance Supplement will reflect this focus as well.

TYPE A/B THRESHOLD – STEP 1

- PROGRAMS ARE GROUPED BASED ON DOLLARS.
 - TYPE A PROGRAMS ARE THOSE ABOVE THE THRESHOLD.
 - TYPE B ARE THOSE BELOW THE THRESHOLD.
- TYPE A/B THRESHOLD IS A SLIDING SCALE WITH MINIMUM.
 - MINIMUM INCREASES FROM **\$300,000 TO \$750,000**.
 - THRESHOLD PRESENTED IN TABLE TO BE MORE EASILY UNDERSTOOD.
- AUDIT THRESHOLD AND TYPE A/B MINIMUM THRESHOLD WILL BE THE SAME AT \$750,000.

TYPE A/B THRESHOLD – TABLE (200.518(B)(1))

Type A/B Threshold	Total Federal Awards Expended (FAE)
\$750,000	Equal to \$750,000 but LT or EQ to \$25 M
Total FAE times .03	Exceed \$25M but LT or EQ to \$100M
\$3,000,000	Exceed \$100M but LT or EQ to \$1B
Total FAE times .003	Exceed \$1B but LT or EQ to \$10B
\$30M	Exceed \$10B but LT or EQ to \$20B
Total FAE times .0015	Exceed \$20B

M means Million Dollars and B means Billion Dollars.

LT means Less Than.

EQ means Equal To.

TYPE A THRESHOLD CHANGE

■ GROUPINGS ARE BASED ON DOLLARS — TYPE A PROGRAMS ARE THOSE ABOVE THE DOLLAR THRESHOLD, TYPE B ARE THOSE BELOW

- THE MINIMUM THRESHOLD FOR TYPE A PROGRAMS IS INCREASED FROM \$300,000 TO \$500,000.

If total federal awards expended is:	Then Type A programs are those with federal awards expended of the greater of
\$1 million to \$100 million	\$500,000 or 3% (.03) of total awards expended
\$100 million to \$10 billion	\$3 million or .3% (.003) of total awards expended
\$10 billion or more	\$30 million or .15% (.0015) of total awards expended

HIGH-RISK TYPE A PROGRAM (200.518(C)) (STEP 2)

CURRENT A-133 CRITERIA:

- NOT AUDITED AS MAJOR PROGRAM IN 1 OF 2 MOST RECENT AUDIT PERIODS.
- IN MOST RECENT PERIOD HAD **ANY AUDIT FINDING**.
 - PROVIDED FOR AUDITOR JUDGMENT IN LIMITED CASES, E.G., VERY SMALL QUESTIONED COSTS.
 - OTHER – AUDITOR JUDGMENT
 - OVERSIGHT EXERCISED BY FEDERAL AGENCIES OR PASS-THROUGH ENTITIES, AUDIT FOLLOW-UP, OR CHANGES IN PERSONNEL OR SYSTEMS WHICH SIGNIFICANTLY INCREASED RISK.

UNIFORM GUIDANCE:

- SAME.
- In most recent period had a **HIGH- RISK AUDIT FINDING**:
 - Modified opinion.
 - Material weakness in internal control.
 - Known or likely questioned costs exceeding 5% of total program expenditures.
 - Other – Auditor judgment.
 - ✦ Basically unchanged.

Key – An entity with strong internal controls and few audit findings will have less high-risk Type A program.

HIGH-RISK TYPE A PROGRAMS CHANGES

OLD DEFAULT CRITERIA:

- NOT AUDITED AS A MAJOR PROGRAM IN 1 OF 2 MOST RECENT AUDIT PERIODS
- IN MOST RECENT PERIOD, HAD ANY OF THE FOLLOWING FOR PROGRAM:
 - SIGNIFICANT DEFICIENCY IN INTERNAL CONTROL
 - MATERIAL WEAKNESS IN INTERNAL CONTROL
 - MATERIAL NONCOMPLIANCE FINDING
- HAS ARRA EXPENDITURES IN CURRENT YEAR
- WRITTEN REQUEST BY FEDERAL AWARDDING AGENCY TO AUDIT AS MAJOR (180 DAYS NOTICE)

NEW DEFAULT CRITERIA:

- NOT AUDITED AS A MAJOR PROGRAM IN 1 OF 2 MOST RECENT AUDIT PERIODS
- IN MOST RECENT PERIOD, HAD ANY OF THE FOLLOWING FOR PROGRAM:
 - **OTHER THAN AN UNQUALIFIED OPINION**
 - MATERIAL WEAKNESS IN INTERNAL CONTROL
 - **KNOWN OR LIKELY QUESTIONED COSTS THAT EXCEED 5% OF THE TOTAL EXPENDITURES OF THE PROGRAM**
 - **N/A**
- WRITTEN REQUEST BY FEDERAL AWARDDING AGENCY TO AUDIT AS MAJOR (180 DAYS NOTICE)

This change puts the focus of risk assessment on whether the program received a qualified opinion or material weakness over internal control, as opposed to whether the program received less significant findings that are not essential to the financial integrity of the program.

HIGH-RISK TYPE A PROGRAMS

OLD - if none of default criteria met, auditors use professional judgment of listed risk factors to determine if Type A program is considered low or high risk

NEW - less clear as to whether the auditors continue to use professional judgment although there is a reference to the risk factors

The notion of professional judgment appears to be inconsistent with the concept of focusing on programs which had more significant findings.

HIGH-RISK TYPE B PROGRAM (200.518(D)) (STEP 3)

CURRENT A-133 CRITERIA:

- CURRENTLY THERE ARE TWO TYPE B RISK ASSESSMENT OPTIONS:
 - OPTION 1 – PERFORM RISK ASSESSMENTS ON **ALL** TYPE B PROGRAMS AND SELECT AT LEAST **50%** OF TYPE B PROGRAMS* IDENTIFIED AS HIGH RISK UP TO NUMBER OF LOW-RISK TYPE A PROGRAMS
 - OPTION 2 – PERFORM RISK ASSESSMENTS ON ALL TYPE B PROGRAMS* UNTIL AS MANY HIGH-RISK TYPE B PROGRAMS HAVE BEEN IDENTIFIED AS THERE ARE LOW-RISK TYPE A PROGRAMS.
 - *subject to de minimus threshold

NEW CRITERIA:

- PERFORM RISK ASSESSMENTS ON TYPE B PROGRAMS UNTIL HIGH-RISK TYPE B PROGRAMS HAVE BEEN IDENTIFIED **UP TO** AT LEAST **25%** OF NUMBER OF LOW-RISK TYPE A PROGRAMS
- *subject to de minimus threshold

PERCENTAGE OF COVERAGE RULE (200.518(F)) (STEP 4)

- GUIDANCE REDUCES THE MINIMUM COVERAGE AS FOLLOWS:

Type of Auditee	Current	New
Not low-risk	50%	40%
Low-risk	25%	20%

EFFECT OF LARGE LOAN PROGRAMS

- CIRCULAR INCORPORATES THE GUIDANCE ON THE INCLUSION OR EXCLUSION OF LARGE LOAN OR LOAN GUARANTEE PROGRAMS IN DETERMINING THE TYPE A THRESHOLD THAT IS CURRENTLY IN THE COMPLIANCE SUPPLEMENT
- CIRCULAR MODIFIES THE GUIDANCE RELATED TO A CLUSTER OF PROGRAMS
 - A CLUSTER OF PROGRAMS IS TREATED AS ONE PROGRAM IN DETERMINING TYPE A PROGRAMS. FOR THE PURPOSES OF EXCLUDING LARGE LOAN PROGRAMS IN THE DETERMINATION OF OTHER TYPE A PROGRAMS, A CLUSTER OF PROGRAMS IS NOT CONSIDERED TO BE A LOAN PROGRAM IF THE INDIVIDUAL LOAN PROGRAMS WITHIN THE CLUSTER COMPRISE LESS THAN 50% OF THE EXPENDITURES OF THE CLUSTER.

LOW-RISK AUDITEE

200.520 CRITERIA FOR A LOW-RISK AUDITEE

MEMBERS OF THE AUDIT COMMUNITY AND STATES COMMENTED ON THE CRITERIA FOR A LOW-RISK AUDITEE THAT INCLUDES WHETHER THE FINANCIAL STATEMENTS WERE PREPARED IN ACCORDANCE WITH GAAP. MEMBERS OF THE AUDIT COMMUNITY NOTE THAT GAAP IS THE PREFERRED METHOD, AND STATES NOTE THAT STATE LAW SOMETIMES PROVIDES FOR OTHER METHODS OF PREPARATION. THE COFAR CONSIDERED THIS AND RECOMMENDED REVISED LANGUAGE TO ALLOW FOR EXCEPTIONS WHERE STATE LAW REQUIRES OTHERWISE.

LOW-RISK AUDITEE (200.520)

CURRENT (2 PRIOR YEARS)

- ANNUAL SINGLE AUDITS
- UNMODIFIED OPINION ON FINANCIAL STATEMENTS IN ACCORDANCE WITH GAAP

- UNMODIFIED SEFA IN RELATION TO OPINION.
- NO GAGAS MATERIAL WEAKNESSES
- IN EITHER OF PRECEDING TWO YEARS, NONE OF TYPE A PROGRAMS HAD:
 - MATERIAL WEAKNESS.
 - MATERIAL NONCOMPLIANCE.
 - QUESTIONED COSTS THAT EXCEED 5%.
- TIMELY FILING WITH FAC.
- AUDITOR REPORTING GOING CONCERN NOT PRECLUDE LOW-RISK.
- WAIVERS.

NEW (2 PRIOR YEARS)

- SAME.
- Unmodified opinions on statements in accordance with GAAP or basis of accounting required by state law.

- SAME.
- SAME.
- SAME

- SAME.
- NO AUDIT REPORTING OF GOING CONCERN.

- NO WAIVERS.

STREAMLINING COMPLIANCE REQUIREMENTS

Compliance Requirements	Current	Proposed
A. Activities Allowed or Unallowed	✓	✓
B. Allowable Costs/Cost Principles	✓	Incorporated into A.
C. Cash Management	✓	✓
D. Davis – Bacon Act	✓	Agency could request to be part of N.
E. Eligibility	✓	✓
F. Equipment	✓	Agency could request to be part of N.
G. Matching, Level of Effort, Earmarking	✓	Matching incorporated in A. Agency could request the remainder be part of N.
H. Period of Availability of Federal Funds	✓	Incorporated into A.
I. Procurement, Suspension, Debarment	✓	Agency could request to be part of N.
J. Program Income	✓	Agency could request to be part of N.
K. Real Property	✓	Agency could request to be part of N.
L. Reporting	✓	✓
M. Subrecipient Monitoring	✓	✓
N. Special Tests and Provisions	✓	✓

FINDING ELEMENTS – CARRIED ALSO TO NEW DCF



SINGLE AUDIT REPORT SUBMISSION

200.512 Report Submission

requires publication of Single Audit Reports online with safeguards for protected personally identifiable information and an exception for Indian tribes in order to reduce the administrative burden on non-Federal entities associated with transmitting these reports to all interested parties.

SINGLE AUDIT REPORT SUBMISSION (CONT'D)

- ALL AUDITEES MUST SUBMIT THE REPORTING PACKAGE AND THE DATA COLLECTION FORM ELECTRONICALLY TO THE FEDERAL AUDIT CLEARINGHOUSE (FAC) (200.512(D)).
- FAC SUBMISSION PROCESS WILL BE CHANGED TO REQUIRE THAT SUBMISSIONS BE IN TEXT-BASED PDF AND UNLOCKED TO IMPROVE ACCESSIBILITY.
- FAC RESPONSIBLE TO MAKE THE REPORTS AVAILABLE ON A WEB SITE (200.512(G)).
 - EXCEPTION FOR INDIAN TRIBES WILL BE DISCUSSED LATER.

SINGLE AUDIT REPORTS ON THE WEB - PPII

- AUDITORS AND AUDITEES MUST ENSURE REPORTS DO NOT INCLUDE PROTECTED PERSONALLY IDENTIFIABLE INFORMATION (PPII) (200.82 & 200.512(A)(2)).
- AUDITEE MUST SIGN STATEMENT THAT (200.512(B)(1)):
 - REPORTS DO NOT INCLUDE PPII.
 - AUTHORIZES FAC TO MAKE REPORTS PUBLICALLY AVAILABLE ON A WEB SITE.
 - EXCEPTION FOR INDIAN TRIBES AS DEFINED IN 200.54.
 - NO EXCEPTION FOR TRIBAL ORGANIZATION NOT MEETING THE 200.54 DEFINITION.

EXCEPTION FOR INDIAN TRIBES (200.512(B)(2))

- TRIBAL REPORTS MAY INCLUDE CONFIDENTIAL BUSINESS INFORMATION THAT WOULD BE REDACTED UNDER THE FREEDOM OF INFORMATION ACT.
- MAY ELECT TO NOT AUTHORIZE THE FAC TO MAKE REPORTING PACKAGE PUBLICALLY AVAILABLE ON THE A WEB SITE.
- IF ELECTED, INDIAN TRIBE MUST:
 - SUBMIT REPORTING PACKAGE DIRECTLY TO PASS-THROUGH ENTITIES.
 - MAKE REPORTING PACKAGE AVAILABLE FOR PUBLIC INSPECTION AS REQUIRED BY THE SINGLE AUDIT ACT.

NEW 2013 - 2015 DATA COLLECTION FORM ITEMS

- NEW TERMINOLOGY- REPLACE “QUALIFIED” WITH “MODIFIED”
- PAGE 1- AUDITOR’S EIN
- PAGE 2- FEDERAL PROGRAMS
 - REMOVE PART III, ITEM 4, “IS A SIGNIFICANT DEFICIENCY DISCLOSED FOR ANY MAJOR PROGRAM? (§_.510(A)(1))”
 - REMOVE PART III, ITEM 5, “IS A MATERIAL WEAKNESS DISCLOSED? (§_.510(A)(1))”
 - REMOVE PART III, ITEM 6 “ARE ANY KNOWN QUESTIONED COSTS REPORTED? (§_.510(A)(3) OR (4))”
- PAGE 3, FEDERAL AWARDS- ADD LOAN/LOAN GUARANTEE COLUMN
- PAGE 3, FEDERAL AWARDS- ADD “NUMBER OF FINDINGS” FOR EACH FEDERAL AWARD

NEW 2013 - 2015 FORM ITEMS (CON'T)

- PAGE 3-
 - MOVE TYPE(S) OF COMPLIANCE REQUIREMENT(S) TO NEW PAGE 4
 - MOVE AUDIT FINDING REFERENCE NUMBER(S) TO NEW PAGE 4
- NEW “PAGE 4”- FEDERAL AWARD FINDINGS SUMMARY: FINDING-SPECIFIC
 - STANDARDIZED AUDIT FINDING REFERENCE NUMBERS:
YYYY-###, (EX. 2013-001, 2013-002)
 - TYPE(S) OF COMPLIANCE REQUIREMENTS
 - “TYPE(S) OF DEFICIENCY(IES)”
 - MODIFIED OPINION, OTHER NONCOMPLIANCE, MATERIAL WEAKNESS, SIGNIFICANT DEFICIENCY, OTHER (NINE ALLOWABLE COMBINATIONS)
 - QUESTIONED COSTS: Y/N

FORM SF-SAC (2010 VERSION)

9. FEDERAL AWARDS EXPENDED DURING FISCAL YEAR									10. AUDIT FINDINGS	
CFDA Number		Research and development (c)	ARRA ³ (d)	Name of Federal program (e)	Amount expended (f)	Direct award (g)	Major program		Type(s) of compliance requirement(s) ⁵ (a)	Audit finding reference number(s) ⁶ (b)
Federal Agency Prefix ¹ (a)	Extension ² (b)						Major program (h)	If yes, type of audit report ⁴ (i)		
9	3 .123	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	HHS PROGRAM NAME	\$ 500,000 .00	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	A	ABCDEFGH	12-1, 12-2, 12-3
8	4 .456	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	ED PROGRAM NAME	\$ 1,000,000 .00	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	D	ABCDEF	2012-1, 2012-2
1	0 .789	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	ARRA - AGRICULTURE PROGRAM NAME	\$ 2,525,252 .00	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	Q	AB	2012-3, 2012-4
8	1 .012	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	1 <input type="checkbox"/> Y 2 <input checked="" type="checkbox"/> N	ENERGY PROGRAM NAME	\$ 363,636,363 .00	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	1 <input checked="" type="checkbox"/> Y 2 <input type="checkbox"/> N	Q	ABC	12-1

- WHICH COMPLIANCE REQUIREMENT IS RELATED TO WHICH FINDING?
- WHICH FINDING CAUSED THE MODIFIED OPINION?
- NON-STANDARD AUDIT FINDING REFERENCE NUMBERS

FORM SF-SAC

(2013 -2015 VERSION)

Federal Agency Prefix	Extension	Name of Federal Program	Amount Expended	R&D	Loan/Loan Guarantee	ARRA	Direct Award	Major Program	If MP, type of audit report	Number of Findings
10	789	ARRA - AGRICULTURE PROGRAM NAME	\$2,525,252	N	N	Y	Y	Y	Q	0
84	456	ED PROGRAM NAME	\$1,000,000	N	N	N	Y	Y	D	0
81	012	ENERGY PROGRAM NAME	\$363,636,363	N	N	N	Y	Y	Q	0
93	123	HHS PROGRAM NAME	\$500,000	N	N	N	Y	Y	A	3

“Federal Awards Findings” Page

Federal Agency Prefix	Extension	Name of Federal Program	Finding Reference No.	Type(s) of Compliance Requirement	Modified Opinion	Other NonCompliance	Material Weakness	Significant Deficiency	Other	Questioned Costs
93	123	HHS PROGRAM NAME	2013-001	ABCE	Y	N	Y	N	N	N
93	123	HHS PROGRAM NAME	2013-002	FGH	N	Y	N	N	N	N
93	123	HHS PROGRAM NAME	2013-003	AC	N	N	N	Y	N	N

Automatically filled from “Federal Awards” Page for each Federal award with findings

- IDENTIFIES THE COMPLIANCE REQUIREMENTS THAT CORRESPOND TO EACH FINDING
- GIVES DETAIL OF HOW EACH FINDING AFFECTED EACH FEDERAL AWARD

REPORTING PACKAGE CHANGES

- NO MORE SCAN AND SEND STARTING WITH 2014 SUBMISSIONS
 - FILES MUST BE TEXT SEARCHABLE, ACCESSIBLE, NOT PASSWORD PROTECTED PDFS
 - DO NOT SEND CAFRS WITH PICTURES – FILE MAY BE REJECTED
 - AUDIT SIGNATURES WILL NEED TO BE CONSIDERED = *LEAP OF FAITH...*

FAC REPOSITORY OF RECORD FOR REPORTING PACKAGES (200.36 & 200.512(B))

- FEDERAL AGENCIES, PASS-THROUGH ENTITIES, AND OTHERS OBTAIN COPIES BY ACCESSING FAC WEBSITE.
- SUBRECIPIENT ONLY REQUIRED TO SUBMIT REPORT TO FAC AND NO LONGER REQUIRED TO SUBMIT TO PASS-THROUGH ENTITY.
- PASS-THROUGH ENTITY NO LONGER REQUIRED TO RETAIN COPY OF SUBRECIPIENT REPORT AS AVAILABLE ON THE WEB.

SINGLE AUDIT ACCOUNTABLE OFFICIAL

200.513 Responsibilities

requires Federal awarding agencies to designate a Senior Accountable Official who will be responsible for overseeing effective use of the Single Audit process and implementing metrics to evaluate audit follow-up.

SINGLE AUDIT ACCOUNTABLE OFFICIAL (200.513(C)(5))

- ENSURE AGENCY EFFECTIVELY USES THE SINGLE AUDIT PROCESS.
- DEVELOP A BASELINE, METRICS, AND TARGETS TO TRACK, OVER TIME, THE EFFECTIVENESS OF:
 - THE AGENCY'S PROCESS TO FOLLOW-UP ON AUDIT FINDINGS.
 - SINGLE AUDITS IN:
 - IMPROVING NON-FEDERAL ENTITY ACCOUNTABILITY FOR FEDERAL AWARDS.
 - USE BY THE AGENCY IN MAKING AWARD DECISIONS.
- DESIGNATE THE AGENCY'S KEY MANAGEMENT SINGLE AUDIT LIAISON.

AGENCY KEY MANAGEMENT SINGLE AUDIT LIAISON (200.513(C)(6))

- AGENCY MANAGEMENT'S POINT OF CONTACT FOR SINGLE AUDIT.
- PROMOTE INTERAGENCY COORDINATION.
- OVERSEE TRAINING FOR AGENCY'S PROGRAM MANAGEMENT PERSONNEL RELATED TO THE SINGLE AUDIT PROCESS.
- PROMOTE USE OF COOPERATIVE AUDIT RESOLUTION.
- COORDINATE AGENCY'S AUDIT FOLLOW-UP TO ENSURE TIMELY CORRECTIVE ACTION ON AUDIT FINDINGS.
- ORGANIZE COGNIZANT AGENCY FOR AUDIT FOLLOW-UP.
- ENSURE AGENCY PROVIDES ANNUAL UPDATES TO THE COMPLIANCE SUPPLEMENT.
- SUPPORT THE SENIOR AUDIT ACCOUNTABLE OFFICIAL.

COOPERATIVE AUDIT RESOLUTION

200.513(c)(3)(iii) Responsibilities encourages Federal awarding agencies to make effective use of cooperative audit resolution practices in order to reduce repeat audit findings.

COOPERATIVE AUDIT RESOLUTION (200.25)

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COOPERATIVE AUDIT RESOLUTION MEANS THE USE OF AUDIT FOLLOW-UP TECHNIQUES WHICH PROMOTE PROMPT CORRECTIVE ACTION BY IMPROVING COMMUNICATION, FOSTERING COLLABORATION, PROMOTING TRUST, AND DEVELOPING AN UNDERSTANDING BETWEEN THE FEDERAL AGENCY AND THE NON-FEDERAL ENTITY. THIS APPROACH IS BASED UPON:

(A) A STRONG COMMITMENT BY FEDERAL AGENCY AND NON-FEDERAL ENTITY LEADERSHIP TO PROGRAM INTEGRITY;

(B) FEDERAL AGENCIES STRENGTHENING PARTNERSHIPS AND WORKING COOPERATIVELY WITH NON-FEDERAL ENTITIES AND THEIR AUDITORS; AND NON-FEDERAL ENTITIES AND THEIR AUDITORS WORKING COOPERATIVELY WITH FEDERAL AGENCIES;

(C) A FOCUS ON CURRENT CONDITIONS AND CORRECTIVE ACTION GOING FORWARD;

(D) FEDERAL AGENCIES OFFERING APPROPRIATE RELIEF FOR PAST NONCOMPLIANCE WHEN AUDITS SHOW PROMPT CORRECTIVE ACTION HAS OCCURRED; AND

(E) FEDERAL AGENCY LEADERSHIP SENDING A CLEAR MESSAGE THAT CONTINUED FAILURE TO CORRECT CONDITIONS IDENTIFIED BY AUDITS WHICH ARE LIKELY TO CAUSE IMPROPER PAYMENTS, FRAUD, WASTE, OR ABUSE IS UNACCEPTABLE AND WILL RESULT IN SANCTIONS.

APPENDIX XI - COMPLIANCE SUPPLEMENT

WHILE MOST COMMENTERS WERE IN FAVOR OF THE PROPOSED REDUCTION OF THE NUMBER OF TYPES OF COMPLIANCE REQUIREMENTS, MANY VOICED CONCERN ABOUT THE PROCESS TO IMPLEMENT SUCH CHANGES. COMMENTS QUESTIONED WHETHER FEDERAL AGENCIES ADDING BACK PROVISIONS UNDER SPECIAL TESTS AND PROVISIONS WOULD RESULT IN INCREASED ADMINISTRATIVE BURDEN.

SINCE THE SUPPLEMENT IS PUBLISHED AS PART OF A SEPARATE PROCESS, THE COFAR RECOMMENDED THAT ANY FUTURE CHANGES TO ITS STRUCTURE BE BASED ON AVAILABLE EVIDENCE OF IMPACT ON PAST FINDINGS AND INCLUDE FURTHER PUBLIC OUTREACH TO MITIGATE POTENTIAL RISKS OF AN INADVERTENT INCREASE IN ADMINISTRATIVE BURDEN.

COMPLIANCE SUPPLEMENT

- SUPPLEMENT IS PUBLISHED AS SEPARATE PROCESS SO THE FINAL CHANGES ARE NOT INCLUDED IN THE GUIDANCE.
- FUTURE CHANGES WILL BE BASED ON AVAILABLE EVIDENCE OF PAST AUDIT FINDINGS & POTENTIAL IMPACT OF NON-COMPLIANCE.
- FURTHER PUBLIC OUTREACH WILL BE CONDUCTED PRIOR TO MAKING STRUCTURAL CHANGES TO SUPPLEMENT FORMAT.
 - 2014 SUPPLEMENT WILL PREVIEW THE IMPLEMENTATION OF CHANGES.
 - CHANGES WILL NOT BE EFFECTIVE UNTIL THE 2015 SUPPLEMENT.
 - 2014 SUPPLEMENT EXPECTED IN APRIL 2014.

AUDIT FINDINGS (200.516)

- INCREASES THE THRESHOLD FOR REPORTING KNOWN AND LIKELY QUESTIONED COSTS FROM \$10,000 TO \$25,000 (200.516(A)(3) & (4)).
- REQUIRES THAT QUESTIONED COSTS BE IDENTIFIED BY CFDA NUMBER AND APPLICABLE AWARD NUMBER (200.516(B)(6)).
- REQUIRES IDENTIFICATION OF WHETHER AUDIT FINDING IS A REPEAT FROM THE IMMEDIATELY PRIOR AUDIT AND IF SO THE PRIOR YEAR AUDIT FINDING NUMBER (200.516(B)(8)).
- PROVIDES THAT AUDIT FINDING NUMBERS BE IN THE FORMAT PRESCRIBED BY THE DATA COLLECTION FORM (200.516(C)).

ADDITIONAL AUDIT REQUIREMENTS

- LIST OF PROGRAM SPECIFIC AUDIT GUIDES WILL BE PROVIDED BEGINNING WITH THE 2014 SUPPLEMENT INCLUDING (200.517(A)):
 - AGENCY CONTACT INFORMATION.
 - WEB SITE WHERE COPY OF GUIDE IS AVAILABLE.
- CLARIFIED THAT IF REPORT DUE DATE IS ON A SATURDAY, SUNDAY, OR FEDERAL LEGAL HOLIDAY, REPORT SUBMISSION IS DUE THE NEXT BUSINESS DAY (200.512(A)).
- PROVIDES FOR A GOVERNMENT-WIDE AUDIT QUALITY PROJECT ONCE EVERY 6 YEARS BEGINNING IN 2018 (200.513(A)(3)(II)).
- MADE TECHNICAL EDITS TO ALIGN WITH CURRENT AUDITING STANDARDS.

ADDITIONAL AUDIT REQUIREMENTS –FUTURE CHANGES

- INCLUDED LANGUAGE TO ALLOW FOR FUTURE COMBINING OF THE AUDIT REPORTING AND THE DATA COLLECTION FORM IF PERMITTED UNDER AUDITING STANDARDS AND THE APPROVED FAC DATA COLLECTION (200.515(E)).
- SINGLE AUDIT RESOLUTION PROJECT CURRENTLY UNDER SUPERVISION OF COFAR IS AIMED AT IMPROVING COORDINATION FOR CROSS-CUTTING FINDINGS AND IMPROVING TRANSPARENCY OF MANAGEMENT DECISIONS.

EFFECTIVE DATE FOR AUDIT REQUIREMENTS (200.110(B))

- SUBPART F WILL BE EFFECTIVE FOR NON-FEDERAL ENTITY FISCAL YEARS (FY) OR BIENNIAL PERIODS BEGINNING ON OR AFTER DECEMBER 26, 2014.
- FIRST YEAR EXAMPLES:
 - FY BEGINNING JANUARY 1, 2015 AND ENDING DECEMBER 31, 2015.
 - BIENNIAL PERIOD BEGINNING JANUARY 1, 2015 AND ENDING DECEMBER 31, 2017.
- EARLY IMPLEMENTATION OF SUBPART F IS NOT PERMITTED.



AUDIT REQUIREMENTS

QUESTIONS??

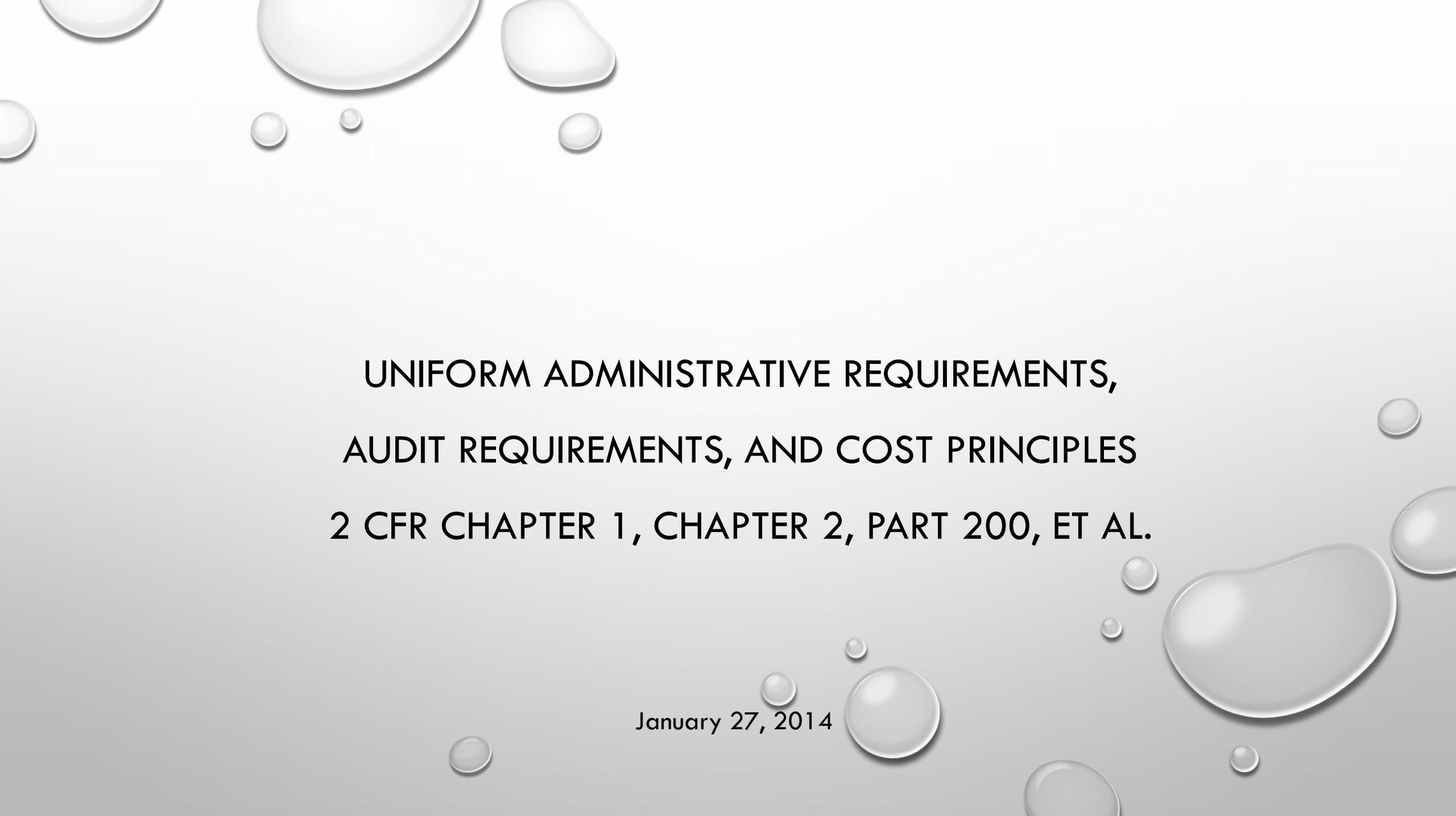


ADMINISTRATIVE REQUIREMENTS

REFORMS TO A-102,
CIRCULAR A-110, AND
CIRCULAR A-89

January 27, 2014





UNIFORM ADMINISTRATIVE REQUIREMENTS,
AUDIT REQUIREMENTS, AND COST PRINCIPLES
2 CFR CHAPTER 1, CHAPTER 2, PART 200, ET AL.

January 27, 2014

REFORMS TO ADMINISTRATIVE REQUIREMENTS (THE COMMON RULE IMPLEMENTING CIRCULAR A-102); CIRCULAR A-110; AND CIRCULAR A-89

- The section highlights changes to the governmentwide common rule implementing Circular A-102 on Grants and Cooperative Agreements with State and Local Governments; Circular A-110 on Uniform Administrative Requirements for Grants and Other Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations (2 CFR part 215); and Circular A-89 on Catalog of Federal Domestic Assistance
- The following are major changes included in the final guidance

SUBPART A: ACRONYMS & DEFINITIONS

- 200.0, ACRONYMS
- ACRONYMS ARE AT THE BEGINNING

- 200.1 – 200.99, DEFINITIONS
- THE 99 DEFINITIONS ARE IN SEPARATE SECTIONS (AND THEREFORE ARE LISTED IN THE INDEX)
- TERMS ARE BROAD TO ENCOMPASS ALL REQUIREMENTS (ADMINISTRATIVE, COST PRINCIPLES, AUDIT) AND ALL TYPES OF ENTITIES RECEIVING FEDERAL AWARDS

KEY DEFINITIONS

- 200.38, **FEDERAL AWARD** (DEPENDING ON THE CONTEXT, MEANS THE \$ OR THE DOCUMENT)
- 200.40, **FEDERAL FINANCIAL ASSISTANCE** (NO CHANGE IN MEANING FROM PREVIOUS DEFINITIONS FOR ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS)
- 200.69, **NON-FEDERAL ENTITY** (STATE, LOCAL GOVERNMENT, INDIAN TRIBE, INSTITUTION OF HIGHER EDUCATION, OR NONPROFIT THAT IS THE RECIPIENT OR SUBRECIPIENT)
- 200.74, **PASS-THROUGH ENTITY** (NON-FEDERAL ENTITY THAT SUBAWARDS TO A SUBRECIPIENT)
- 200.90, **STATE** NO LONGER INCLUDES **INDIAN TRIBE** (200.54)
 - NO EFFECT ON FUNDING BECAUSE ELIGIBLE APPLICANTS ARE BASED ON THE FEDERAL PROGRAM, NOT PART

DEFINITIONS – SUBRECIPIENT AND CONTRACTOR

- 200.93, **SUBRECIPIENT**
- *SUBRECIPIENT* MEANS A NON-FEDERAL ENTITY THAT RECEIVES A SUBAWARD FROM A PASS-THROUGH ENTITY TO CARRY OUT PART OF A FEDERAL PROGRAM
- 200.23, **CONTRACTOR** IS USED RATHER THAN “VENDOR” (USED IN A-133)
- *CONTRACTOR* MEANS AN ENTITY THAT RECEIVES A CONTRACT AS DEFINED IN 200.22 CONTRACT
- LOOK AT THE NATURE OF THE RELATIONSHIP RATHER THAN WHAT THE AGREEMENT IS CALLED; SEE 200.330

SUBPART B: GENERAL PROVISIONS

- 200.100, PURPOSE: 2 CFR PART 200 ESTABLISHES UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR ALL TYPES OF NON-FEDERAL ENTITIES
- FEDERAL AWARDING AGENCIES MUST NOT IMPOSE ADDITIONAL OR INCONSISTENT REQUIREMENTS, UNLESS
 - REQUIREMENT BASED ON FEDERAL STATUTE, REGULATION, OR EXECUTIVE ORDER,
 - OMB PERMITS AN EXCEPTION IN ACCORDANCE WITH 200.102, OR
 - OMB APPROVES INFORMATION IN THE FEDERAL AWARD IN ACCORDANCE WITH 200.210

“SHOULD” VS “MUST”

- THROUGHOUT, BOTH “SHOULD” AND “MUST” ARE USED
- “MUST” MEANS “REQUIRED”
- “SHOULD” INDICATES BEST PRACTICES OR RECOMMENDED APPROACH

APPLICABILITY

- 200.101 APPLICABILITY: DESCRIBES THE APPLICABILITY OF EACH SUBPARTS TO TYPES OF FEDERAL AWARDS
- A TABLE IS INCLUDED, BUT MUST BE READ ALONG WITH THE ENTIRE APPLICABILITY SECTION
- THE FEDERAL AWARDING AGENCY WILL DETERMINE APPLICABILITY AND STATE THE APPLICABLE REQUIREMENTS IN THE TERMS AND CONDITIONS OF THE FEDERAL AWARD
- LIKewise, THE PASS-THROUGH ENTITY MUST STATE THE APPLICABLE REQUIREMENTS FOR ITS SUBRECIPIENTS IN THE TERMS AND CONDITION OF EACH SUBAWARD

EXCEPTIONS

- **200.102, EXCEPTIONS**

- NO EXCEPTIONS FROM ANY AUDIT REQUIREMENTS
- ONLY OMB MAY ALLOW EXCEPTIONS FOR CLASSES OF FEDERAL AWARDS OR NON-FEDERAL ENTITIES
- IN THE INTEREST OF MAXIMUM UNIFORMITY, OMB WILL PERMIT EXCEPTIONS ONLY IN UNUSUAL CIRCUMSTANCES
- EXCEPTIONS ON A CASE-BY-CASE BASIS MAY BE AUTHORIZED BY THE FEDERAL AWARDING AGENCY
- THE FEDERAL AWARDING AGENCY MAY APPLY MORE RESTRICTIVE REQUIREMENTS WHEN APPROVED BY OMB, OR REQUIRED BY FEDERAL STATUTES OR REGULATIONS
- IF YOU HAVE QUESTIONS ABOUT YOUR AWARD, CONTACT THE FEDERAL AWARDING AGENCY

IMPLEMENTATION/EFFECTIVE DATE

- **200.110, EFFECTIVE/APPLICABILITY DATE**
- **FEDERAL AGENCIES MUST IMPLEMENT THE REQUIREMENTS TO BE EFFECTIVE BY DECEMBER 26, 2014**
- **AUDIT REQUIREMENTS WILL APPLY TO AUDITS OF FISCAL YEARS BEGINNING ON OR AFTER DECEMBER 26, 2014**
- **ADMINISTRATIVE REQUIREMENTS AND COST PRINCIPLES WILL APPLY TO NEW AWARDS AND TO ADDITIONAL FUNDING (FUNDING INCREMENTS) TO EXISTING AWARDS MADE AFTER DEC 26.**
- **EXISTING FEDERAL AWARDS WILL CONTINUE TO BE GOVERNED BY THE TERMS AND CONDITIONS OF THE FEDERAL AWARD, EXCEPT FOR AUDIT AS SUBPART F IS BASED ON 12/26/2014 FISCAL YEAR DATE.**

CONFLICT OF INTEREST & MANDATORY DISCLOSURES

- **TWO NEW REQUIREMENTS THAT STRENGTHEN OVERSIGHT:**

- 200.112, CONFLICT OF INTEREST

THE FEDERAL AWARDING AGENCY MUST ESTABLISH CONFLICT OF INTEREST POLICIES FOR THEIR FEDERAL AWARDS

THE NON-FEDERAL ENTITY MUST DISCLOSE IN WRITING ANY POTENTIAL CONFLICT OF INTEREST TO THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) IN ACCORDANCE WITH APPLICABLE FEDERAL AWARDING AGENCY POLICY

- 200.113, MANDATORY DISCLOSURES

NON-FEDERAL ENTITIES (AND APPLICANTS) MUST DISCLOSE ALL VIOLATIONS OF FEDERAL CRIMINAL LAW INVOLVING FRAUD, BRIBERY, OR GRATUITY VIOLATIONS POTENTIALLY AFFECTING THE FEDERAL AWARD

SUBPART C: PRE-FEDERAL AWARD REQUIREMENTS AND CONTENTS OF FEDERAL AWARDS

SECTIONS HIGHLIGHTED:

200.201, USE OF GRANT AGREEMENTS, COOPERATIVE AGREEMENTS & CONTRACTS

200.203, NOTICES OF FUNDING OPPORTUNITIES

200.204, FEDERAL AGENCY REVIEW OF MERIT

200.205, FEDERAL AGENCY REVIEW OF RISK

200.206, STANDARD APPLICATION REQUIREMENTS

200.201, INFORMATION CONTAINED IN A FEDERAL AWARD

USE OF GRANT AGREEMENTS, COOPERATIVE AGREEMENTS & CONTRACTS

- 200.201, USE OF GRANT AGREEMENTS (INCLUDING FIXED AMOUNT AWARDS), COOPERATIVE AGREEMENTS, AND CONTRACTS:
 - FEDERAL AWARDING AGENCIES MUST DETERMINE APPROPRIATE AWARD INSTRUMENT
 - INCORPORATES NEW COVERAGE ON FIXED AMOUNT AWARDS:
 - PAYMENTS ARE BASED ON MEETING SPECIFIC REQUIREMENTS OF THE FEDERAL AWARD
 - ACCOUNTABILITY IS BASED ON PERFORMANCE AND RESULTS
 - AWARD AMOUNT IS NEGOTIATED USING COST PRINCIPLES AS A GUIDE
 - NO GOVERNMENTAL REVIEW OF THE ACTUAL COSTS INCURRED
 - SIGNIFICANT CHANGES (I.E., PRINCIPAL INVESTIGATOR, PROJECT PARTNER OR SCOPE) MUST RECEIVE PRIOR AWARDING AGENCY WRITTEN APPROVAL

NOTICES OF FUNDING OPPORTUNITIES

- 200.203, NOTICES OF FUNDING OPPORTUNITIES:
 - NOTICE OF THE FUNDING OPPORTUNITY
 - FOR COMPETITIVE GRANTS AND COOPERATIVE AGREEMENTS, FEDERAL AWARDDING AGENCIES MUST ANNOUNCE SPECIFIC FUNDING OPPORTUNITIES BY POSTING A PUBLIC NOTICE ON THE OMB-DESIGNATED GOVERNMENTWIDE WEB SITE
 - SPECIFIES A SET OF SIX DATA ELEMENTS THAT MUST BE INCLUDED IN THE PUBLIC NOTICE

NOTICES OF FUNDING OPPORTUNITIES (CONT'D)

- FULL TEXT OF FUNDING OPPORTUNITIES
 - IDENTIFIES REQUIRED INFORMATION THAT MUST BE INCLUDED IN THE FULL TEXT OF EACH FEDERAL FUNDING OPPORTUNITY
 - DETAILED INSTRUCTIONS FOR THE FULL TEXT OF THE NOTICE OF FUNDING OPPORTUNITY IS INCLUDED IN APPENDIX 1.
 - THIS COVERAGE WAS ORIGINALLY PUBLISHED BY OMB AT 68 FR 58146 (OCTOBER 8, 2003)
- ESTABLISHES MINIMUM TIMEFRAMES FEDERAL AWARDDING AGENCIES MUST GENERALLY MAKE ALL FUNDING OPPORTUNITIES AVAILABLE FOR APPLICATION

FEDERAL AGENCY REVIEW OF MERIT

- 200.204, FEDERAL AWARDED AGENCY REVIEW OF MERIT OF PROPOSALS:
 - NEW REQUIREMENT
 - FOR COMPETITIVE GRANTS OR COOPERATIVE AGREEMENTS, FEDERAL AWARDED AGENCIES MUST DESIGN AND EXECUTE A MERIT REVIEW PROCESS FOR APPLICATIONS
 - PROCESS MUST BE DESCRIBED (OR INCORPORATED BY REFERENCE) IN FUNDING OPPORTUNITY

FEDERAL AGENCY REVIEW OF RISK

- 200.205, FEDERAL AWARDING AGENCY REVIEW OF RISK POSED BY APPLICANTS:
 - IN ADDITION TO USE OF THE OMB-DESIGNATED REPOSITORIES OF GOVERNMENT-WIDE ELIGIBILITY INFORMATION, FEDERAL AWARDING AGENCIES MUST HAVE A FRAMEWORK FOR EVALUATING THE RISKS POSED BY APPLICANTS PRIOR TO RECEIPT OF A FEDERAL AWARD
- ITEMS THAT MAY BE CONSIDERED BY FEDERAL AWARDING AGENCIES INCLUDE:
 - FINANCIAL STABILITY
 - QUALITY OF MANAGEMENT SYSTEMS
 - HISTORY OF PERFORMANCE
 - REPORTS AND FINDINGS FROM AUDITS PERFORMED UNDER SUBPART F
 - APPLICANT'S ABILITY TO EFFECTIVELY IMPLEMENT STATUTORY, REGULATORY OR OTHER REQUIREMENTS

FEDERAL AGENCY REVIEW OF RISK (CONT'D)

- SPECIAL CONDITIONS THAT CORRESPOND TO THE DEGREE OF RISK MAY BE APPLIED, IF APPROPRIATE (SEE 200.207, SPECIAL CONDITIONS.)
- FEDERAL AWARDING AGENCIES MUST CONTINUE TO COMPLY WITH THE GUIDELINES ON GOVERNMENTWIDE SUSPENSION AND DEBARMENT AND MUST REQUIRE NON-FEDERAL ENTITIES TO COMPLY WITH THESE PROVISIONS

STANDARD APPLICATION REQUIREMENTS

- 200.206, STANDARD APPLICATION REQUIREMENTS:
 - REQUIRES FEDERAL AWARDING AGENCIES TO USE OMB-APPROVED APPLICATION STANDARD INFORMATION COLLECTIONS TO SOLICIT APPLICATIONS
 - USE OF STANDARD OMB-APPROVED COLLECTIONS IS A CONSISTENT THEME THROUGHOUT 2 CFR 200
 - CURRENTLY APPROVED OMB GRANTS MANAGEMENT FORMS (AND FORMATS) ARE AVAILABLE ON THE OMB WEB SITE AT:
 - [HTTP://WWW.WHITEHOUSE.GOV/OMB/GRANTS_STANDARD_REPORT_FORMS/](http://www.whitehouse.gov/omb/grants_standard_report_forms/)

INFORMATION CONTAINED IN A FEDERAL AWARD

- 200.210, INFORMATION CONTAINED IN A FEDERAL AWARD:
 - PROVIDES A STANDARD SET OF 15 DATA ELEMENTS WHICH MUST BE PROVIDED IN ALL FEDERAL AWARDS
 - IDENTIFIES COVERAGE WHICH MUST BE INCLUDED IN THE GENERAL TERMS AND CONDITIONS
 - PROVIDES GUIDANCE ON FEDERAL AWARDING AGENCY, PROGRAM, OR AWARD SPECIFIC TERMS AND CONDITIONS
 - REQUIRES FEDERAL AWARDING AGENCIES TO INCLUDE AN INDICATION OF THE TIMING AND SCOPE OF EXPECTED PERFORMANCE AS RELATED TO THE OUTCOMES INTENDED TO BE ACHIEVED
 - IN SOME INSTANCES, (E.G., DISCRETIONARY RESEARCH AWARDS) THIS MAY BE LIMITED TO SUBMISSION OF TECHNICAL PERFORMANCE REPORTS

SUBPART D: POST FEDERAL AWARD REQUIREMENTS STANDARDS FOR FINANCIAL AND PROGRAM MANAGEMENT

SECTIONS HIGHLIGHTED:

200.301,	PERFORMANCE MANAGEMENT
200.303,	INTERNAL CONTROLS
200.305,	PAYMENTS
200.306,	COST SHARING OR MATCHING
200.309,	PERIOD OF PERFORMANCE
200.313,	EQUIPMENT
200.314,	SUPPLIES
200.315,	INTANGIBLE PROPERTY
200.317-326	PROCUREMENT STANDARDS
200.327,	FINANCIAL REPORTING
200.328,	MONITORING AND REPORTING PROGRAM PERFORMANCE
200.329,	REPORTING ON REAL PROPERTY
200.330-332	SUBRECIPIENT MONITORING & MANAGEMENT
200.333,	RETENTION REQUIREMENTS FOR RECORDS
200.335,	METHODS FOR COLLECTION, TRANSMISSION AND STORAGE OF INFORMATION
200.338-342	REMEDIES FOR NONCOMPLIANCE
200.343	CLOSEOUT

PERFORMANCE MANAGEMENT

- **200.301, PERFORMANCE MANAGEMENT:**
 - PROVIDES MORE ROBUST GUIDANCE TO FEDERAL AGENCIES TO MEASURE PERFORMANCE IN A WAY THAT WILL HELP THE FEDERAL AWARDING AGENCY AND OTHER NON-FEDERAL ENTITIES TO IMPROVE PROGRAM OUTCOMES, SHARE LESSONS LEARNED, AND SPREAD THE ADOPTION OF PROMISING PRACTICES.
 - FEDERAL AWARDING AGENCIES MUST REQUIRE RECIPIENTS TO USE OMB-APPROVED STANDARD GOVERNMENT-WIDE INFORMATION COLLECTIONS TO PROVIDE FINANCIAL AND PERFORMANCE INFORMATION.
 - RECIPIENTS MUST BE REQUIRED TO RELATE FINANCIAL DATA TO PERFORMANCE ACCOMPLISHMENTS, AND MUST ALSO PROVIDE COST INFORMATION TO DEMONSTRATE COST EFFECTIVE PRACTICES.

PERFORMANCE MANAGEMENT (CONT'D)

- AS DISCUSSED IN MORE DETAIL IN 200.328, FOR THE RESEARCH COMMUNITY, WHERE THERE IS A STANDARD OMB-APPROVED INFORMATION COLLECTION FOR PERFORMANCE (I.E., THE RESEARCH PERFORMANCE PROGRESS REPORT) THAT DOES NOT RELATE FINANCIAL INFORMATION TO PERFORMANCE DATA, THERE IS NO SUCH REQUIREMENT
- THE FEDERAL AWARDING AGENCIES ARE REQUIRED TO PROVIDE RECIPIENTS WITH CLEAR PERFORMANCE GOALS, INDICATORS, AND MILESTONES

INTERNAL CONTROLS

200.303, INTERNAL CONTROLS. FOR FEDERAL AWARDS, NON-FEDERAL ENTITIES MUST:

- MOVED FROM OMB CIRCULAR A-133
 - ESTABLISH AND MAINTAIN EFFECTIVE INTERNAL CONTROLS
 - COMPLY WITH FEDERAL STATUTES, REGULATIONS, & TERMS AND CONDITIONS
 - EVALUATE AND MONITOR COMPLIANCE
 - TAKE PROMPT ACTION ON AUDIT FINDINGS
 - SAFEGUARD PROTECTED PERSONALLY IDENTIFIABLE INFORMATION

PAYMENTS

- 200.305, PAYMENTS:

- PAYMENTS TO STATES ARE GOVERNED BY TREASURY-STATE CMIA AGREEMENTS CODIFIED AT 31 CFR PART 205
- COVERAGE LARGELY REPLICATES EXISTING PAYMENT COVERAGE FROM OMB CIRCULAR A-110
- EXTENDS TO NON-FEDERAL ENTITIES PREVIOUSLY COVERED BY OMB CIRCULAR A-102 THE EXISTING FLEXIBILITY IN OMB CIRCULAR A-110 TO PAY INTEREST EARNED ON FEDERAL FUNDS ANNUALLY TO THE DEPARTMENT OF HEALTH AND HUMAN SERVICES, RATHER THAN “PROMPTLY” TO EACH FEDERAL AWARDING AGENCY
 - INTEREST AMOUNTS UP TO \$500 PER YEAR MAY BE RETAINED BY THE NON-FEDERAL ENTITY FOR ADMINISTRATIVE EXPENSES

COST SHARING OR MATCHING

- 200.306, COST SHARING OR MATCHING:
 - CLARIFIES POLICIES ON VOLUNTARY COMMITTED COST SHARING
 - STIPULATES THAT VOLUNTARY COMMITTED COST SHARING IS NOT EXPECTED UNDER FEDERAL RESEARCH PROPOSALS AND CANNOT BE USED AS A FACTOR DURING THE MERIT REVIEW OF THE PROPOSAL
 - COST SHARING MAY ONLY BE CONSIDERED WHEN REQUIRED BY REGULATION AND TRANSPARENT IN THE NOTICE OF FUNDING OPPORTUNITY

COST SHARING OR MATCHING (CONT'D)

- ONLY MANDATORY COST SHARING OR COST SHARING INCLUDED ON THE PROJECT BUDGET MUST BE INCLUDED IN THE ORGANIZED RESEARCH BASE FOR COMPUTING THE INDIRECT COST RATE OR REFLECTED IN THE ALLOCATION OF INDIRECT COSTS
 - OMB MEMORANDUM 01-06, CLARIFICATION OF OMB A-21 TREATMENT OF VOLUNTARY UNCOMMITTED COST SHARING AND TUITION REMISSION COSTS CONTINUES TO APPLY.
 - SEE: [HTTP://WWW.WHITEHOUSE.GOV/OMB/MEMORANDA_M01-06](http://www.whitehouse.gov/omb/memoranda_m01-06)
- VALUATION OF COST SHARING REMAINS LARGELY UNCHANGED FROM OMB CIRCULAR A-110

PERIOD OF PERFORMANCE

- 200.309, PERIOD OF PERFORMANCE
 - NON-FEDERAL ENTITIES MAY CHARGE TO FEDERAL AWARDS ONLY ALLOWABLE COSTS INCURRED DURING THE PERIOD OF PERFORMANCE AND ANY COSTS INCURRED BEFORE THE FEDERAL AWARDING AGENCY OR PASS-THROUGH ENTITY MADE THE FEDERAL AWARD THAT WERE AUTHORIZED BY THE FEDERAL AWARDING AGENCY OR PASS THROUGH ENTITY
 - FEDERAL AWARDING AGENCIES MAY AUTHORIZE NO-COST EXTENSIONS OF THE PERIOD OF PERFORMANCE (SEE ALSO 200.308, REVISION OF BUDGET AND PROGRAM PLANS)

PROPERTY STANDARDS & EQUIPMENT

- COVERAGE IN PROPERTY STANDARDS (SECTIONS 200.310-200.316) LARGELY DERIVED FROM EXISTING COVERAGE IN A-110
- MAJOR EXCEPTION IS 200.313, EQUIPMENT
 - STATES MUST USE, MANAGE, AND DISPOSE OF EQUIPMENT ACQUIRED UNDER A FEDERAL AWARD IN ACCORDANCE WITH STATE LAWS AND PROCEDURES
 - OTHER NON-FEDERAL ENTITIES MUST FOLLOW THE REQUIREMENTS SPECIFIED

SUPPLIES & INTANGIBLE PROPERTY

- 200.314, SUPPLIES:

- THE DEFINITION OF SUPPLIES IN EXISTING GUIDANCE INCLUDES ALL TANGIBLE PERSONAL PROPERTY THAT FALL BELOW THE THRESHOLD FOR EQUIPMENT. SINCE, AS TECHNOLOGY IMPROVES, COMPUTING DEVICES (INCLUSIVE OF ACCESSORIES) INCREASINGLY FALL BELOW THIS THRESHOLD, THE GUIDANCE MAKES EXPLICIT THAT WHEN THEY DO, THEY SHALL BE TREATED CONSISTENTLY WITH ALL OTHER ITEMS BELOW THIS LEVEL. SEE 200.94, DEFINITION OF “SUPPLIES”.

- 200.315, INTANGIBLE PROPERTY:

- CONTENT OF 200.315 IS LARGELY FROM OMB CIRCULAR A-110, HOWEVER, THE SECTION HAS BEEN REORGANIZED FOR READABILITY AND CLARITY

PROCUREMENT STANDARDS

- THE PROCUREMENT STANDARDS (IN SECTIONS 200.317 THROUGH 200.326) ARE GENERALLY BASED ON THE REQUIREMENTS IN A-102 FOR STATES, LOCAL GOVERNMENTS AND INDIAN TRIBES, WITH MODIFICATIONS
- STATES USE THEIR OWN POLICIES AND PROCEDURES
- ALL OTHER NON-FEDERAL ENTITIES, INCLUDING SUBRECIPIENTS OF A STATE, MUST HAVE AND FOLLOW WRITTEN PROCUREMENT PROCEDURES THAT REFLECT THE PROCUREMENT STANDARDS

GENERAL PROCUREMENT REQUIREMENTS

- THE NON-FEDERAL ENTITY MUST MAINTAIN OVERSIGHT TO ENSURE THAT CONTRACTORS PERFORM IN ACCORDANCE WITH THE TERMS, CONDITIONS, AND SPECIFICATIONS OF THE CONTRACT OR PURCHASE ORDER
- THE NON-FEDERAL ENTITY IS NOT REQUIRED TO MAINTAIN A CONTRACT ADMINISTRATION SYSTEM
- HOW THE NON-FEDERAL ENTITY MAINTAINS OVERSIGHT IS A MATTER OF JUDGMENT FOR THE NON-FEDERAL ENTITY

PROCUREMENT: STANDARDS OF CONDUCT

- 200.318(C)(1) THE NON-FEDERAL ENTITY MUST MAINTAIN WRITTEN STANDARDS OF CONDUCT COVERING CONFLICTS OF INTEREST AND GOVERNING THE PERFORMANCE OF ITS EMPLOYEES ENGAGED IN THE SELECTION, AWARD, AND ADMINISTRATION OF CONTRACTS
- 200.318(C)(2) NEW PROVISION THAT COVERS ORGANIZATIONAL CONFLICT OF INTEREST
- IF THE NON-FEDERAL ENTITY HAS A PARENT, AFFILIATE, OR SUBSIDIARY ORGANIZATION (THAT IS NOT A STATE, LOCAL GOVERNMENT, OR INDIAN TRIBE), THE NON-FEDERAL ENTITY MUST ALSO MAINTAIN WRITTEN STANDARDS OF CONDUCT COVERING ORGANIZATIONAL CONFLICTS OF INTEREST

PROCUREMENT: STANDARDS OF CONDUCT (CONT'D)

- 200.318(D) THE NON-FEDERAL ENTITY'S PROCEDURES MUST AVOID ACQUISITION OF UNNECESSARY OR DUPLICATIVE ITEMS
- 200.318(E) TO FOSTER GREATER ECONOMY AND EFFICIENCY AND TO PROMOTE COST-EFFECTIVE USE OF SHARED SERVICES, THE NON-FEDERAL ENTITY IS ENCOURAGED TO ENTER INTO STATE AND LOCAL INTERGOVERNMENTAL AGREEMENTS OR INTER-ENTITY AGREEMENTS WHERE APPROPRIATE FOR PROCUREMENT OR USE OF COMMON OR SHARED GOODS AND SERVICES
- 200.318(F) THE NON-FEDERAL ENTITY IS ENCOURAGED TO USE FEDERAL EXCESS AND SURPLUS PROPERTY IN LIEU OF PURCHASING NEW EQUIPMENT AND PROPERTY WHEN THIS IS FEASIBLE AND REDUCES PROJECT COSTS

METHODS OF PROCUREMENT

- 200.320, METHODS OF PROCUREMENT TO BE FOLLOWED
- THE NON-FEDERAL ENTITY MUST USE ONE OF THE 5 METHODS:
 - (1) MICRO-PURCHASES FOR ACQUISITION OF SUPPLIES OR SERVICES IF AGGREGATE AMOUNT DOES NOT EXCEED \$3,000 [NEW METHOD]
 - MICROPURCHASE MAY BE AWARDED WITHOUT SOLICITING COMPETITIVE QUOTATIONS IF THE NON-FEDERAL ENTITY CONSIDERS THE PRICE TO BE REASONABLE
 - (2) SMALL PURCHASE PROCEDURES
 - (3) SEALED BIDS (FORMAL ADVERTISING)
 - (4) COMPETITIVE PROPOSALS

METHODS OF PROCUREMENT (CONT'D)

- (5) NONCOMPETITIVE PROPOSALS – REVISED TO CLARIFY THAT SOLICITATION OF A PROPOSAL FROM ONLY ONE SOURCE MAY BE USED ONLY WHEN ONE OR MORE OF THE FOLLOWING APPLY:
 - THE ITEM IS AVAILABLE ONLY FROM A SINGLE SOURCE
 - THE PUBLIC EXIGENCY OR EMERGENCY FOR THE REQUIREMENT WILL NOT PERMIT A DELAY RESULTING FROM COMPETITIVE SOLICITATION
 - THE FEDERAL AWARDDING AGENCY (OR PASS-THROUGH ENTITY) EXPRESSLY AUTHORIZES THIS METHOD IN RESPONSE TO A WRITTEN REQUEST FROM THE NON-FEDERAL ENTITY
 - AFTER SOLICITATION OF A NUMBER OF SOURCES, COMPETITION IS DETERMINED INADEQUATE

PRE-PROCUREMENT REVIEW OF TECHNICAL SPECIFICATIONS

- 200.324, FEDERAL AWARDING AGENCY OR PASS-THROUGH ENTITY REVIEW
- UPON REQUEST OF THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY), THE NON-FEDERAL ENTITY MUST MAKE AVAILABLE:
 - THE TECHNICAL SPECIFICATIONS ON PROPOSED PROCUREMENTS WHERE THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) BELIEVES THE REVIEW IS NEEDED TO ENSURE THAT THE ITEM OR SERVICE SPECIFIED IS THE ONE BEING PROPOSED FOR ACQUISITION

PRE-PROCUREMENT REVIEW

- UPON REQUEST OF THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY), THE NON-FEDERAL ENTITY MUST MAKE THE PROCUREMENT DOCUMENTS (E.G., REQUESTS FOR PROPOSALS, INVITATIONS FOR BIDS, OR INDEPENDENT COST ESTIMATES) AVAILABLE FOR PRE-PROCUREMENT REVIEW WHEN:
 - THE NON-FEDERAL ENTITY'S PROCUREMENT PROCEDURES OR OPERATIONS FAIL TO COMPLY WITH THE PROCUREMENT STANDARDS IN PART 200
 - THE PROCUREMENT IS EXPECTED TO EXCEED THE SIMPLIFIED ACQUISITION THRESHOLD [CURRENTLY \$150,000] AND
 - THE PROCUREMENT IS TO BE AWARDED WITHOUT COMPETITION OR ONLY ONE BID/OFFER IS RECEIVED IN RESPONSE TO A SOLICITATION
 - THE PROCUREMENT SPECIFIES A "BRAND NAME" PRODUCT
 - THE PROPOSED CONTRACT IS TO BE AWARDED TO OTHER THAN THE APPARENT LOW BIDDER UNDER A SEALED BID PROCUREMENT
 - A PROPOSED CONTRACT MODIFICATION CHANGES THE SCOPE OF A CONTRACT OR INCREASES THE CONTRACT AMOUNT BY MORE THAN THE SIMPLIFIED ACQUISITION THRESHOLD.

PRE-PROCUREMENT REVIEW (CONT'D)

- THE NON-FEDERAL ENTITY IS EXEMPT FROM THE PRE-PROCUREMENT REVIEW:
 - IF THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) DETERMINES THAT ITS PROCUREMENT SYSTEMS COMPLY WITH THE STANDARDS OF PART 200
 - THE NON-FEDERAL ENTITY SELF CERTIFIES ITS PROCUREMENT SYSTEM (BUT THE SELF-CERTIFICATION DOES NOT LIMIT THE FEDERAL AWARDING AGENCY'S RIGHT TO SURVEY THE SYSTEM)

PROCUREMENT CONTRACT PROVISIONS

- 200.326, CONTRACT PROVISIONS
- REFERS TO APPENDIX II FOR PROVISIONS THAT MUST BE INCLUDED IN CONTRACTS OF NON-FEDERAL ENTITIES
- THE APPENDIX PROVIDES A DESCRIPTION OF EACH PROVISION (AND GENERALLY GIVES THE LEGAL BASIS OF THE PROVISION) SO THAT THE NON-FEDERAL ENTITY CAN DETERMINE WHETHER THE PROVISION IS APPLICABLE TO A CONTRACT

FINANCIAL REPORTING

- **200.327, FINANCIAL REPORTING:**

- EXISTING COVERAGE FROM A-102 AND A-110 ON THE REPORT OF FEDERAL CASH TRANSACTIONS AND THE FINANCIAL STATUS REPORT HAS BEEN DELETED AND REPLACED WITH THE REQUIREMENT THAT FEDERAL AWARDING AGENCIES ONLY USE THE OMB-APPROVED GOVERNMENT-WIDE DATA ELEMENTS FOR COLLECTION OF FINANCIAL INFORMATION -- CURRENTLY THE FEDERAL FINANCIAL REPORT
- SUBMISSION FREQUENCY REQUIREMENTS GENERALLY REMAIN UNCHANGED
 - NO LESS FREQUENTLY THAN ANNUALLY, NOR MORE FREQUENTLY THAN QUARTERLY.
 - NEW LANGUAGE ADDED, HOWEVER, WHICH PERMITS MORE THE FEDERAL AWARDING AGENCY TO REQUIRE MORE FREQUENT REPORTING WHERE NECESSARY FOR THE EFFECTIVE MONITORING OF THE FEDERAL AWARD OR COULD SIGNIFICANTLY AFFECT PROGRAM OUTCOMES.

MONITORING AND REPORTING PROGRAM PERFORMANCE

- 200.328, MONITORING AND REPORTING PROGRAM PERFORMANCE:
 - SPECIFIES THAT PERFORMANCE REPORTS ARE SUBJECT TO THE PAPERWORK REDUCTION ACT REQUIREMENTS
 - FEDERAL AWARDING AGENCIES SHOULD UTILIZE OMB-APPROVED STANDARD GOVERNMENTWIDE INFORMATION COLLECTIONS (SEE ALSO 200.206)
 - SUBMISSION FREQUENCY REQUIREMENTS REMAIN LARGELY UNCHANGED
 - NO LESS FREQUENTLY THAN ANNUALLY, NOR MORE FREQUENTLY THAN QUARTERLY.
 - NEW LANGUAGE ADDED, HOWEVER, WHICH PERMITS MORE THE FEDERAL AWARDING AGENCY TO REQUIRE MORE FREQUENT REPORTING WHERE NECESSARY FOR THE EFFECTIVE MONITORING OF THE FEDERAL AWARD OR COULD SIGNIFICANTLY AFFECT PROGRAM OUTCOMES.

REPORTING ON REAL PROPERTY

- 200.329, REPORTING ON REAL PROPERTY:
 - THE LANGUAGE IN THIS SECTION IS BASED ON THE SUPPLEMENTARY INFORMATION PROVIDED IN THE PURPOSE SECTION OF THE FINAL NOTICE OF THE REAL PROPERTY STATUS REPORT (RPSR) FORM SF-429, AVAILABLE AT 75 FR 56540, PUBLISHED SEPTEMBER 16, 2010

SUBRECIPIENT MONITORING AND MANAGEMENT

- SECTION 200.330 EXPLAINS THE ROLES OF SUBRECIPIENTS AND CONTRACTORS SO THAT THE NON-FEDERAL ENTITY CAN DETERMINE THE RELATIONSHIP AND THE APPLICABLE REQUIREMENTS
- A NON-FEDERAL ENTITY PROVIDES A SUBAWARD TO A SUBRECIPIENT FOR THE PURPOSE OF CARRYING OUT A PORTION OF A FEDERAL AWARD AND CREATES A FEDERAL ASSISTANCE RELATIONSHIP BETWEEN THE NON-FEDERAL ENTITY AND THE SUBRECIPIENT
- A NON-FEDERAL ENTITY PROVIDES A CONTRACT TO A CONTRACTOR FOR THE PURPOSE OF OBTAINING GOODS AND SERVICES FOR THE NON-FEDERAL ENTITY'S OWN USE AND CREATES A PROCUREMENT RELATIONSHIP BETWEEN THE NON-FEDERAL ENTITY AND THE CONTRACTOR
- WHAT THE DOCUMENT IS CALLED DOES NOT MATTER; THE RELATIONSHIP IS THE BASIS FOR DETERMINING WHICH REQUIREMENTS ARE APPLICABLE

SUBRECIPIENTS MONITORING AND OVERSIGHT REQUIREMENTS FOR PASS-THROUGH ENTITIES

- 200.331, REQUIREMENTS FOR PASS-THROUGH ENTITIES
- INCLUDES AUDIT RESPONSIBILITIES THAT WERE IN A-133
- THE PASS-THROUGH ENTITY MUST:
 - PUT SPECIFIC INFORMATION IN THE SUBAWARD, INCLUDING INDIRECT COST RATE
 - DO A RISK ASSESSMENT TO DETERMINE APPROPRIATE SUBRECIPIENT MONITORING AND MUST MONITOR SUBRECIPIENTS
 - CONSIDER IF SPECIFIC SUBAWARD CONDITIONS ARE NEEDED
 - VERIFY SUBRECIPIENTS HAVE AUDITS IN ACCORDANCE WITH SUBPART F
 - MAKE ANY NECESSARY ADJUSTMENT TO THE PASS-THROUGH ENTITY'S RECORDS BASED ON REVIEWS AND AUDITS OF SUBRECIPIENTS
 - CONSIDER ACTIONS TO ADDRESS SUBRECIPIENT NONCOMPLIANCE

INFORMATION CONTAINED IN A SUBAWARD

- FOLLOWING INFORMATION MUST BE IDENTIFIED TO SUBRECIPIENT AT TIME OF AWARD AND PUT IN THE SUBAWARD (AND WHEN CHANGES ARE MADE TO THE SUBAWARD) (200.331(A)):
 - FEDERAL AWARD IDENTIFICATION, E.G., DUNS NUMBER
 - INDIRECT COST RATE FOR THE FEDERAL AWARD (INCLUDING IF THE DE MINIMUS RATE IS CHARGE PER 200.414 INDIRECT (F&A) COSTS) REQUIREMENTS IMPOSED BY THE PASS-THROUGH ENTITY
 - REQUIREMENT TO PROVIDE ACCESS TO RECORDS FOR AUDIT

EVALUATING SUBRECIPIENT RISK TO DETERMINE APPROPRIATE MONITORING

- THE PASS-THROUGH ENTITY MUST EVALUATE EACH SUBRECIPIENT'S RISK OF NONCOMPLIANCE WITH FEDERAL STATUTES, REGULATIONS, AND THE TERMS AND CONDITIONS OF THE SUBAWARD FOR THE PURPOSE OF DETERMINING APPROPRIATE SUBRECIPIENT MONITORING, WHICH MAY INCLUDE CONSIDERATION OF FACTORS SUCH AS (200.331(B)):
 - PRIOR EXPERIENCE WITH SAME OR SIMILAR SUBAWARDS
 - RESULTS OF PREVIOUS AUDITS
 - WHETHER NEW OR SUBSTANTIALLY CHANGED PERSONNEL OR SYSTEMS
 - EXTENT AND RESULTS OF FEDERAL AWARDING AGENCY MONITORING

REQUIRED SUBRECIPIENTS MONITORING PROCEDURES

- WHEN MONITORING OF SUBRECIPIENTS, THE PASS-THROUGH ENTITY MUST (200.331(D)):
 - REVIEW REPORTS REQUIRED BY THE PASS-THROUGH ENTITY
 - FOLLOW-UP TO ENSURE SUBRECIPIENT TAKES APPROPRIATE ACTION ON ALL DEFICIENCIES PERTAINING TO THE SUBAWARD FROM THE PASS-THROUGH ENTITY IDENTIFIED THROUGH AUDITS, ON-SITE REVIEWS, AND OTHER MEANS
 - ISSUE A MANAGEMENT DECISION FOR AUDIT FINDINGS PERTAINING TO SUBAWARDS MADE BY THE PASS-THROUGH ENTITY
- NOT NEW REQUIREMENT – TAKEN FROM A-133

ADDITIONAL SUBRECIPIENT MONITORING TOOLS

- FOLLOWING TOOLS MAY BE USEFUL, DEPENDING UPON THE RISK ASSESSMENT (200.331 (E))
 - PROVIDING SUBRECIPIENT TRAINING AND TECHNICAL ASSISTANCE
 - PERFORMING ON-SITE REVIEWS
 - ARRANGING FOR AGREED-UPON-PROCEDURES ENGAGEMENTS UNDER 200.425, AUDIT SERVICES [IN COST PRINCIPLES]
- NO LISTED TOOL IS REQUIRED NOR IS THE LIST OF TOOLS ALL INCLUSIVE
- DETERMINATION ON WHICH TOOLS IS A MATTER OF JUDGMENT FOR THE PASS-THROUGH ENTITY BASED UPON ITS ASSESSMENT OF RISK

SUBRECIPIENTS: FIXED AMOUNT SUBAWARDS

- 200.332, FIXED AMOUNT SUBAWARDS
 - PERMITS A NON-FEDERAL ENTITY TO MAKE SUBWARDS BASED ON FIXED AMOUNTS (IN ACCORDANCE WITH 200.201) NOT EXCEEDING THE SIMPLIFIED ACQUISITION THRESHOLD (CURRENTLY \$150,000)
 - THE PRIOR WRITTEN APPROVAL OF THE FEDERAL AWARDING AGENCY IS REQUIRED

RETENTION REQUIREMENTS FOR RECORDS

- 200.333, RETENTION REQUIREMENTS FOR RECORDS:
 - RETAINS THE RECORD RETENTION PERIOD OF THREE YEARS FROM THE DATE OF SUBMISSION OF THE FINAL EXPENDITURE REPORT
 - FOR FEDERAL AWARDS THAT ARE RENEWED QUARTERLY OR ANNUALLY, FROM THE DATE OF THE SUBMISSION OF THE QUARTERLY OR ANNUAL FINANCIAL REPORT
 - SUPPLEMENTS TO THE LISTING OF EXCEPTIONS FROM STANDARD RECORD RETENTION:
 - WHEN THE NON-FEDERAL ENTITY IS NOTIFIED IN WRITING BY THE FEDERAL AWARDING AGENCY, COGNIZANT AGENCY FOR AUDIT, COGNIZANT AGENCY FOR INDIRECT COSTS, OR PASS-THROUGH ENTITY; AND
 - RECORDS FOR PROGRAM INCOME TRANSACTIONS AFTER THE PERIOD OF PERFORMANCE

METHODS FOR COLLECTION, TRANSMISSION AND STORAGE OF INFORMATION

- 200.335, METHODS FOR COLLECTION, TRANSMISSION AND STORAGE OF INFORMATION:
 - IN LIEU OF ADDRESSING THE ISSUE THROUGHOUT THE DOCUMENT, A NEW SECTION WAS ADDED TO CLEARLY ARTICULATE THE TREATMENT OF ELECTRONIC RECORDS
 - FEDERAL AWARDDING AGENCIES AND THE NON-FEDERAL ENTITIES SHOULD, WHENEVER PRACTICABLE, COLLECT, TRANSMIT, AND STORE FEDERAL AWARD-RELATED INFORMATION IN OPEN AND MACHINE READABLE FORMATS
 - FEDERAL AWARDDING AGENCIES OR PASS-THROUGH ENTITIES MUST ALWAYS PROVIDE OR ACCEPT PAPER VERSIONS OF FEDERAL AWARD-RELATED INFORMATION TO AND FROM THE NON-FEDERAL ENTITY UPON REQUEST

METHODS FOR COLLECTION, TRANSMISSION AND STORAGE OF INFORMATION (CONT'D)

- WHEN ORIGINAL RECORDS ARE ELECTRONIC AND CANNOT BE ALTERED, THERE IS NO NEED TO CREATE AND RETAIN PAPER COPIES.
- WHEN ORIGINAL RECORDS ARE PAPER, ELECTRONIC VERSIONS MAY BE SUBSTITUTED THROUGH THE USE OF DUPLICATION OR OTHER FORMS OF ELECTRONIC MEDIA PROVIDED THAT THEY ARE SUBJECT TO PERIODIC QUALITY CONTROL REVIEWS, PROVIDE REASONABLE SAFEGUARDS AGAINST ALTERATION, AND REMAIN READABLE.

REMEDIES FOR NONCOMPLIANCE

- REMEDIES FOR NONCOMPLIANCE ARE COVERED IN 200.338 THROUGH 200.342
- THE SECTIONS ARE GENERALLY SUBSTANTIVELY THE SAME AS SUPERSEDED CIRCULARS, WITH SOME MODIFICATIONS
- THE SECTIONS COVER ACTIONS THAT MAY BE TAKEN BY THE PASS-THROUGH ENTITY, NOT JUST BY THE FEDERAL AWARDING AGENCY

REMEDIES FOR NONCOMPLIANCE

- 200.338, REMEDIES FOR NONCOMPLIANCE
 - PERMITS THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) TO TRY TO REMEDY NONCOMPLIANCE THROUGH ADDITIONAL CONDITIONS ON THE FEDERAL AWARD (OR SUBAWARD)
 - EXPRESSLY REFERENCES SUSPENSION AND DEBARMENT PROCEEDINGS AND CROSS-REFERENCES THE GOVERNMENT-WIDE REGULATION AT 2 CFR PART 180

REMEDIES FOR NONCOMPLIANCE: TERMINATION

- 200.339, TERMINATION, COMPREHENSIVELY ADDRESSES TERMINATION
- THE FEDERAL AWARD MAY BE TERMINATED BY THE FEDERAL AWARING AGENCY (OR PASS-THROUGH ENTITY) IN WHOLE OR IN PART:
 - (1) FOR FAILURE OF THE NON-FEDERAL ENTITY TO COMPLY WITH THE TERMS AND CONDITIONS OF THE FEDERAL AWARD
 - (2) FOR CAUSE [NEW]
 - (3) WITH THE CONSENT OF THE NON-FEDERAL ENTITY (THE TWO PARTIES MUST AGREE UPON THE TERMINATION CONDITIONS, INCLUDING THE EFFECTIVE DATE AND, IN THE CASE OF PARTIAL TERMINATION, THE PORTION TO BE TERMINATED)

REMEDIES FOR NONCOMPLIANCE: TERMINATION

- THE FEDERAL AWARD MAY BE TERMINATED BY THE NON-FEDERAL ENTITY BY SENDING TO THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) WRITTEN NOTIFICATION SETTING FORTH THE REASONS FOR TERMINATION, THE EFFECTIVE DATE, AND, IN THE CASE OF PARTIAL TERMINATION, THE PORTION TO BE TERMINATED.
- WHEN THE FEDERAL AWARD IS TERMINATED, THE FEDERAL AWARDING AGENCY (OR PASS-THROUGH ENTITY) AND THE NON-FEDERAL ENTITY REMAIN RESPONSIBLE FOR CLOSEOUT, POST-CLOSEOUT ADJUSTMENTS AND CONTINUING RESPONSIBILITIES

CLOSEOUT

- 200.343, CLOSEOUT
- THIS SECTION SHOULD BE CLEARER BECAUSE THE TIMEFRAMES ARE BASED ON “PERIOD OF PERFORMANCE” WHICH MUST BE STATED IN THE FEDERAL AWARD

POST-CLOSEOUT ADJUSTMENTS AND COLLECTION OF AMOUNTS DUE

- 200.344, POST-CLOSEOUT ADJUSTMENTS AND CONTINUING RESPONSIBILITIES
- THE ADJUSTMENT TO THE FEDERAL AWARD AMOUNT BASED ON AN AUDIT OR OTHER REVIEW AFTER CLOSEOUT MUST BE MADE WITHIN THE RECORD RETENTION PERIOD
- 200.345, COLLECTION OF AMOUNTS DUE
- THE COLLECTION MAY HAPPEN AFTER THE RECORD RETENTION PERIOD

ADMINISTRATIVE REQUIREMENTS

QUESTIONS??



COST PRINCIPLES

**REFORMS TO CIRCULARS A-21,
A-87, AND A-122**



OMB COST PRINCIPLES – CONSOLIDATION

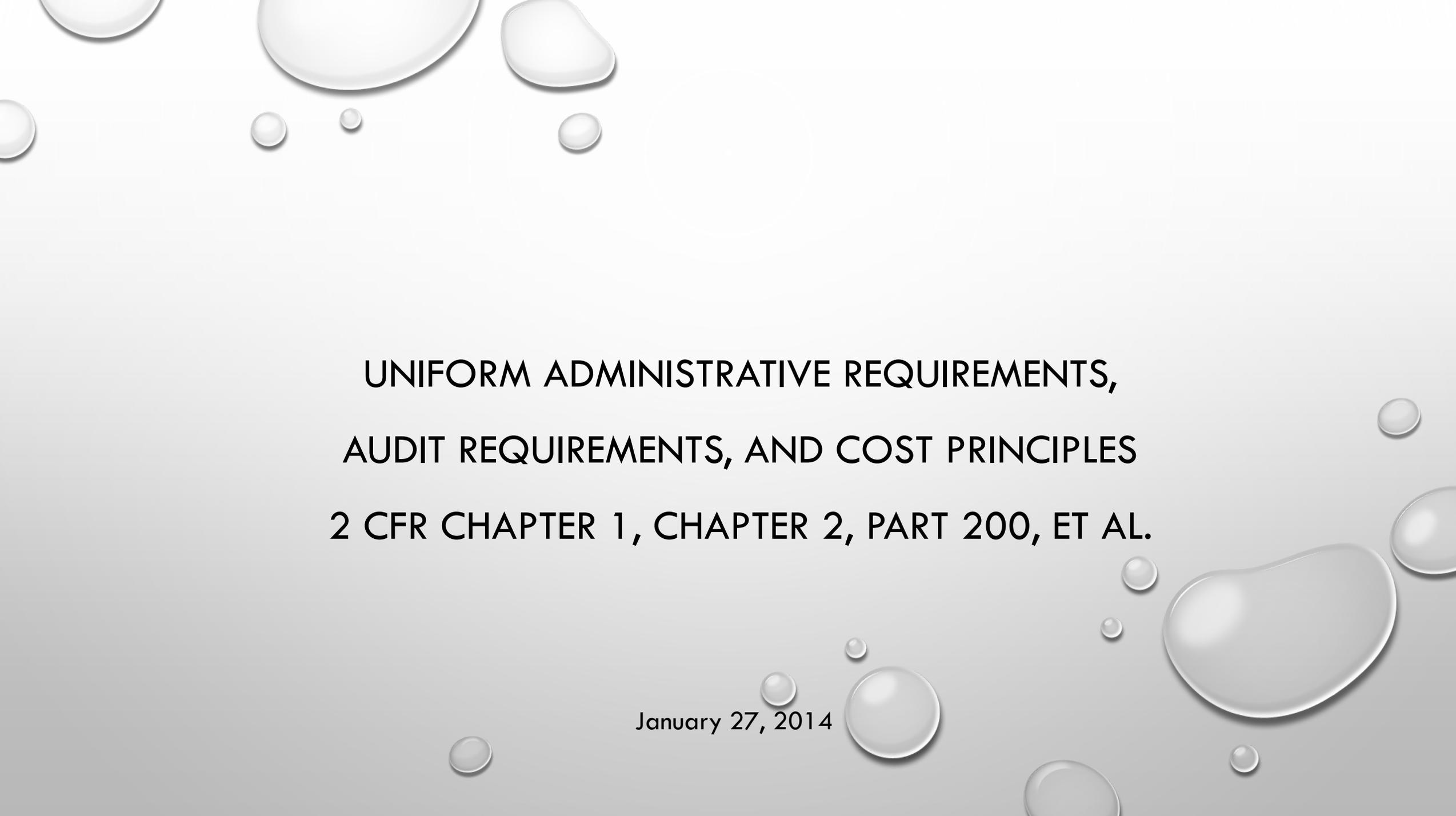
■ CONSOLIDATE COST PRINCIPLES INTO SINGLE DOCUMENT WITH:

- OMB CIRCULAR A-21 – EDUCATIONAL INSTITUTIONS
- OMB CIRCULAR A-87 – GOVERNMENTS
- OMB CIRCULAR A-122 – NONPROFIT ORGANIZATIONS

■ HEALTH AND HUMAN SERVICES AT 45 CFR PART 74 APPENDIX E – HOSPITALS WAS NOT INCORPORATED IN THE PROPOSAL

- OMB WILL CONDUCT FURTHER REVIEW OF THE COST PRINCIPLES FOR HOSPITALS AND MAKE A FUTURE DETERMINATION ABOUT THE EXTENT TO WHICH THEY SHOULD BE ADDED TO THIS GUIDANCE

These reforms above are aimed at providing uniformity in documentation requirements across different types of entities.



UNIFORM ADMINISTRATIVE REQUIREMENTS,
AUDIT REQUIREMENTS, AND COST PRINCIPLES
2 CFR CHAPTER 1, CHAPTER 2, PART 200, ET AL.

January 27, 2014

COST PRINCIPLES

- 2 CFR CHAPTER II,

- PART 200 - - “UNIFORM ADMINISTRATIVE REQUIREMENTS, COST PRINCIPLES, AND AUDIT REQUIREMENTS FOR FEDERAL AWARDS”
- SUBPART E - COST PRINCIPLES
- AND APPENDICES III-VIII: COST PRINCIPLES. REFORMS TO COST PRINCIPLES (CIRCULARS A-21, A-87, AND A-122).



COST PRINCIPLES

FINAL “GUIDANCE” CLARIFIES AND STRENGTHENS COST PRINCIPLES ACROSS MANY FUNCTIONAL AREAS.



COST PRINCIPLES

- QUESTION WE HEAR FREQUENTLY -
 - SHOULD WE CONTINUE USING 2 CFR 220, 225, AND 230 UNTIL DECEMBER 2014, EVEN THOUGH THESE REGULATIONS HAVE NOW BEEN REMOVED FROM THE CFR?



SIGNIFICANT CHANGES IN THE COST PRINCIPLES

- Indirect Cost Rates
- Compensation – Personal Services (time & attendance)
- Family Friendly Policies
- Support for Shared Services

APPLICABILITY

- 200.401 – APPLICATION
 - NO CHANGE IN EXCLUSIONS
 - CLARIFICATION - COST ACCOUNTING STANDARDS

● SUBPART E – COST PRINCIPLES GENERAL PROVISIONS

- 200.400 - POLICY GUIDE
 - RECOGNIZES THE DUAL ROLE OF STUDENTS
 - STRENGTHENS THE LONG STANDING PRACTICE THAT NON FEDERAL ENTITIES ARE NOT PERMITTED TO KEEP PROFIT UNLESS EXPRESSLY AUTHORIZED BY THE TERMS & CONDITIONS OF THE AWARD.

COST PRINCIPLES

- **200.407 - PRIOR WRITTEN APPROVAL**
 - PROVIDES A ONE-STOP COMPREHENSIVE LIST OF THE CIRCUMSTANCES UNDER WHICH NON-FEDERAL ENTITIES SHOULD SEEK PRIOR APPROVAL FROM THE FEDERAL AWARDING AGENCY.

COST PRINCIPLES

- 200.413 – ADMINISTRATIVE COSTS AS DIRECT COSTS
 - DIRECT CHARGING ADMINISTRATIVE COSTS
 - EVEN SOME UNALLOWABLE COSTS MUST BE IN THE IDC BASE

COST PRINCIPLES

- 200.414 - INDIRECT (F&A) COSTS
 - FEDERAL ACCEPTANCE OF APPROVED IDC RATE(S)
 - NEW DE MINIMIS RATE
 - ONE TIME EXTENSION OF UP TO 4 YEARS

COST PRINCIPLES

- **200.414 - INDIRECT (F&A) COSTS (CONTINUED)**
- **FEDERAL AWARDING AGENCIES MUST ACCEPT APPROVED NEGOTIATED INDIRECT COST RATES UNDER 200.414 (C)(1) UNLESS A DIFFERENT RATE IS REQUIRED BY FEDERAL STATUTE OR REGULATION, OR WHEN APPROVED BY A FEDERAL AWARDING AGENCY HEAD OR DELEGATE BASED ON DOCUMENTED JUSTIFICATION AS DESCRIBED IN PARAGRAPH (C)(3) OF THIS SECTION.**

COST PRINCIPLES

- 200.414 - INDIRECT (F&A) COSTS (CONTINUED)

A 10% DE MINIMIS IDC RATE AVAILABLE IS NOW AVAILABLE UNDER §200.414 (F) – IT SAYS, “ ANY NON-FEDERAL ENTITY THAT HAS NEVER RECEIVED A NEGOTIATED INDIRECT COST RATE, EXCEPT FOR THOSE NON-FEDERAL ENTITIES DESCRIBED IN APPENDIX VII TO PART 200 . . . MAY ELECT TO CHARGE A DE MINIMIS RATE OF 10% OF MODIFIED TOTAL DIRECT COSTS (MTDC) WHICH MAY BE USED INDEFINITELY. IMPORTANTLY, IF CHOSEN, THE NON-FEDERAL ENTITY MUST USE THE 10% RATE ON ALL FEDERAL AWARDS UNTIL THE ENTITY NEGOTIATES AN APPROVED RATE WITH THEIR COGNIZANT AGENCY.

COST PRINCIPLES

- 200.414 - INDIRECT (F&A) COSTS (CONTINUED)
- (G) ANY NON-FEDERAL ENTITY THAT HAS A FEDERALLY NEGOTIATED INDIRECT COST RATE MAY APPLY FOR A ONE-TIME EXTENSION OF A CURRENT NEGOTIATED INDIRECT COST RATES FOR A PERIOD OF UP TO FOUR YEARS. THIS EXTENSION WILL BE SUBJECT TO THE REVIEW AND APPROVAL OF THE COGNIZANT AGENCY FOR INDIRECT COSTS. IF AN EXTENSION IS GRANTED THE NON-FEDERAL ENTITY MAY NOT REQUEST A RATE REVIEW UNTIL THE EXTENSION PERIOD ENDS.

COST PRINCIPLES

- QUESTION:

“CAN NON-FEDERAL ENTITIES EXTEND FOR 4 YEARS?
WHAT ABOUT 3 YEARS OR 2 YEARS?”

COST PRINCIPLES

- APPENDIX LISTING

- APPENDIX I TO PART 200 – FULL TEXT OF NOTICE OF FUNDING OPPORTUNITY
- APPENDIX II TO PART 200 – CONTRACT PROVISIONS FOR NON-FEDERAL ENTITY CONTRACTS UNDER FEDERAL AWARDS
- APPENDIX III TO PART 200 – INDIRECT (F&A) COSTS IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATION FOR INSTITUTIONS OF HIGHER EDUCATION (IHE)

COST PRINCIPLES

- **APPENDIX LISTING** (CONTINUED)

- APPENDIX IV TO PART 200 – INDIRECT (F&A) COSTS IDENTIFICATION AND ASSIGNMENT, AND RATE DETERMINATIONS FOR NONPROFIT ORGANIZATIONS
- APPENDIX V TO PART 200 – STATE/LOCAL GOVERNMENT AND INDIAN TRIBE- WIDE CENTRAL SERVICE COST ALLOCATION PLANS
- APPENDIX VI TO PART 200 – PUBLIC ASSISTANCE COST ALLOCATION PLANS
- APPENDIX VII TO PART 220 – STATE AND LOCAL GOVERNMENT AND INDIAN TRIBE INDIRECT COST PROPOSALS

COST PRINCIPLES

- **APPENDIX LISTING (CONTINUED)**
 - APPENDIX VIII TO PART 200 – NONPROFIT ORGANIZATIONS EXEMPTED FROM SUBPART E – COST PRINCIPLES OF PART 200
 - APPENDIX IX TO PART 200 – HOSPITAL COST PRINCIPLES
 - APPENDIX X TO PART 200 – DATA COLLECTION FORM (FORM SF-SAC)
 - APPENDIX XI PART 220 – COMPLIANCE SUPPLEMENT

COST PRINCIPLES

- 200.415 - REQUIRED CERTIFICATIONS
 - SIGNED BY OFFICIAL WHO CAN LEGALLY BIND ORGANIZATION
 - PENALTIES UNDER THE FALSE CLAIMS ACT

COST PRINCIPLES

- 200.419 - COST ACCOUNTING STANDARDS AND DISCLOSURE STATEMENT
 - THE THRESHOLD FOR CAS RAISED TO \$50M
 - STREAMLINED REVIEW FOR CHANGES TO REDUCE THE RISK OF NON-COMPLIANCE AND AUDIT FINDINGS



**2 CFR PART 200
SUBPART E**

GENERAL PROVISIONS FOR SELECTED ITEMS OF COST





SELECTED ITEMS OF COST

- 200.421 - ADVERTISING AND PUBLIC RELATIONS
 - ALLOWABILITY OF ADVERTISING AND PUBLIC RELATIONS COSTS
(NO CHANGE)



SELECTED ITEMS OF COST

- 200.422 - ADVISORY COUNCILS
 - THESE COSTS ARE STILL ALLOWABLE IF AUTHORIZED BY STATUTE OR WITH PRIOR APPROVAL FROM THE FEDERAL AWARDING AGENCY.

SELECTED ITEMS OF COST

- 200.425 AUDIT SERVICES
- FINANCIAL STATEMENT AUDITS
- PARAGRAPH (B) ALLOWS THE COSTS OF A FINANCIAL STATEMENT AUDIT FOR A NON-FEDERAL ENTITY **THAT DOES NOT CURRENTLY HAVE A FEDERAL** AWARD WHEN INCLUDED IN THE INDIRECT COST POOL AS PART OF A COST ALLOCATION PLAN OR INDIRECT COST PROPOSAL. THESE AUDITS MAY BE USEFUL TO THE FEDERAL AGENCY NEGOTIATING AN INDIRECT COST RATE, AND THEY ARE NOT IN CONFLICT WITH THE SINGLE AUDIT ACT.

SELECTED ITEMS OF COST

- **200.428 COLLECTIONS OF IMPROPER PAYMENTS (NEW)**
THE COSTS INCURRED BY A NON-FEDERAL ENTITY TO RECOVER IMPROPER PAYMENTS ARE ALLOWABLE AS EITHER DIRECT OR INDIRECT COSTS, AS APPROPRIATE.

SELECTED ITEMS OF COST

- 200.430 – COMPENSATION – PERSONAL SERVICES
 - STRENGTHEN INTERNAL CONTROLS
 - REMOVED EXAMPLES
 - FEDERAL AGENCIES MAY APPROVE METHODS FOR BLENDED/BRAIDED FUNDS
 - USE OF INSTITUTIONAL BASE SALARY FOR IHE

SELECTED ITEMS OF COST

- 200.430 – COMPENSATION – PERSONAL SERVICES (CONTINUED)
 - STRENGTHEN INTERNAL CONTROLS
 - REMOVED EXAMPLES
 - FEDERAL AGENCIES MAY APPROVE METHODS FOR BLENDED/BRAIDED FUNDS
 - USE OF INSTITUTIONAL BASE SALARY FOR IHES

SELECTED ITEMS OF COST

- 200.431 – COMPENSATION – FRINGE BENEFITS
 - GAAP FOR ACCRUAL BASED ACCOUNTING
 - MASS SEVERANCE
 - EXCESSIVE SEVERANCE PAY
 - FAMILY FRIENDLY LEAVE

SELECTED ITEMS OF COST

- 200.432 – CONFERENCES

- REQUIRES CONFERENCE HOSTS/SPONSORS TO EXERCISE DISCRETION AND JUDGMENT IN ENSURING THAT CONFERENCE COSTS ARE APPROPRIATE, NECESSARY AND MANAGED IN A MANNER THAT MINIMIZES COSTS TO THE FEDERAL AWARD.
- ALLOWS COSTS OF FINDING LOCAL DEPENDENT CARE

SELECTED ITEMS OF COST

- 200.433 – CONTINGENCY PROVISIONS
 - PARAGRAPH (B) REQUIREMENTS TO CHARGE
 - ACCEPTED ESTIMATING METHODOLOGY
 - MUST BE EXPLICITLY SUBJECT TO AGENCY APPROVAL AT TIME OF AWARD
 - COSTS MUST BE ALLOWABLE
 - AMOUNTS MUST BE INCLUDED IN AWARD
 - MUST RETAIN RECORDS TO VERIFY COSTS

SELECTED ITEMS OF COST

- **200.434 - CONTRIBUTIONS AND DONATIONS**
 - **NO MAJOR CHANGES – LANGUAGE IS STRENGTHENED TO ALIGN WITH COST SHARING SECTION 200.306**

SELECTED ITEMS OF COST

- 200.435 -DEFENSE AND PROSECUTION OF CRIMINAL AND CIVIL PROCEEDINGS, CLAIMS, APPEALS AND PATENT INFRINGEMENTS.
 - LANGUAGE HAS BEEN STREAMLINED FOR CONSISTENCY PURPOSES AND NOW SPECIFICALLY MENTIONS WHISTLEBLOWER PROTECTION ACT.

SELECTED ITEMS OF COST

- 200.436 – DEPRECIATION
 - SHIFT FROM GASBS # 51 TO GAAP
 - DONATED ASSETS VALUED AT TIME OF DONATION
 - DONATED ASSETS MAY BE DEPRECIATED OR CLAIMED AS MATCHING BUT NOT BOTH.

COST PRINCIPLES

- 200.437 – EMPLOYEE HEALTH AND WELFARE COSTS

“COSTS INCURRED IN ACCORDANCE WITH THE NON-FEDERAL ENTITY'S **DOCUMENTED POLICIES** FOR THE IMPROVEMENT OF WORKING CONDITIONS, EMPLOYER-EMPLOYEE RELATIONS, EMPLOYEE HEALTH, AND EMPLOYEE PERFORMANCE ARE ALLOWABLE.”

SELECTED ITEMS OF COST

- 200.438 – ENTERTAINMENT COSTS
 - UNALLOWABLE UNLESS
 1. THOSE COSTS HAVE A PROGRAMMATIC PURPOSE AND ARE AUTHORIZED IN THE APPROVED BUDGET FOR THE FEDERAL AWARD, OR
 2. THOSE COSTS HAVE PRIOR WRITTEN APPROVAL FROM THE FEDERAL AWARDDING AGENCY



SELECTED ITEMS OF COST

- 200.439 EQUIPMENT AND OTHER CAPITAL EXPENDITURES
 - DEFINITIONS IN SUBPART A
 - PROPERTY STANDARDS IN SUBPART D



SELECTED ITEMS OF COST

- 200.440 – EXCHANGE RATES (NEW)

ALLOWS FOR COST INCREASES FROM FLUCTUATIONS IN EXCHANGE RATES WITH CERTAIN CONDITIONS BEING MET AND OF COURSE, THE AVAILABILITY OF FUNDS.

SELECTED ITEMS OF COST

- 200.441 – FINES, PENALTIES, DAMAGES AND OTHER SETTLEMENTS
 - INCLUDES TRIBAL LAW VIOLATIONS
 - INCLUDES “ALLEGED VIOLATIONS” AND NOT JUST “VIOLATIONS” ARE UNALLOWABLE EXCEPT WHEN THEY RESULT DIRECTLY FROM COMPLYING WITH THE TERMS OF A FEDERAL AWARD OR ARE APPROVED IN ADVANCE BY THE FEDERAL AWARDDING AGENCY.

SELECTED ITEMS OF COST

- **200.446 - IDLE FACILITIES AND IDLE CAPACITY**
 - **ALLOWS FOR THE COSTS OF IDLE FACILITIES WHEN THEY ARE NECESSARY TO FLUCTUATIONS IN WORKLOAD, SUCH AS THOSE WHICH MAY BE TYPICAL OF DEVELOPING SHARED SERVICE ARRANGEMENTS.**

SELECTED ITEMS OF COST

- 200.449 – INTEREST

- PARAGRAPH (B)(2) ESTABLISHES THE DATE OF JANUARY 1, 2016, AS THE DATE THAT NON-FEDERAL ENTITIES WHOSE FISCAL YEAR STARTS ON OR THEREAFTER MAY BE REIMBURSED FOR FINANCING COSTS ASSOCIATED WITH PATENTS AND COMPUTER SOFTWARE .

SELECTED ITEMS OF COST

- 200.453 – MATERIALS AND SUPPLIES COSTS, INCLUDING COSTS OF COMPUTING DEVICES
 - PARAGRAPH (C) MAY BE CHARGED DIRECT
 - DEFINITION OF COMPUTING DEVICES 200.20
 - DEFINITION OF SUPPLIES 200.94

SELECTED ITEMS OF COST

- **200.455 - ORGANIZATION COSTS**
 - **NOW UNALLOWABLE TO ALL ORGANIZATIONS UNLESS SPECIFIC APPROVAL BY THE AWARDING FEDERAL AGENCY**

SELECTED ITEMS OF COST

- 200.456 – PARTICIPANT SUPPORT COSTS
 - APPLIES TO TYPES OF ORGANIZATIONS
 - DEFINITION MOVED TO 200.75
 - THE TREATMENT OF PARTICIPANT SUPPORT COSTS IS IN THE DEFINITION OF MODIFIED TOTAL DIRECT COSTS AND IN THE APPENDICES ON INDIRECT COST RATES, APPENDIX IV TO PART 200

SELECTED ITEMS OF COST

- 200.460 – PROPOSAL COSTS
 - PROPOSAL COST CHANGES THE LANGUAGE THAT ALLOWED FOR OTHER THAN INDIRECT TREATMENT OF THESE COSTS.
 - ALLOCABLE ONLY TO CURRENT ACCOUNTING PERIOD

SELECTED ITEMS OF COST

- 200.461 – PUBLICATION AND PRINTING COSTS
 - PARAGRAPH (C) RESOLVES A LONG-STANDING ISSUE WITH CHARGES NECESSARY TO PUBLISH RESEARCH RESULTS, WHICH TYPICALLY OCCUR AFTER EXPIRATION, BUT ARE OTHERWISE ALLOWABLE COSTS OF AN AWARD.

SELECTED ITEMS OF COST

- **200.463 – RECRUITING COSTS**

- PARAGRAPH (B) OF SECTION 200.463 – RECRUITING COSTS, MAKES CLEAR THAT “SPECIAL EMOLUMENTS, FRINGE BENEFITS, AND SALARY ALLOWANCES” THAT DO NOT MEET THE TEST OF REASONABLENESS OR DO NOT CONFORM WITH ESTABLISHED PRACTICES OF THE ENTITY ARE UNALLOWABLE.

SELECTED ITEMS OF COST

- **200.463 – RECRUITING COSTS**

- PARAGRAPH (C) PROVIDES THAT WHEN RELOCATION COSTS ARE INCURRED WITH THE RECRUITMENT OF A NEW EMPLOYEE AND HAVE BEEN FUNDED IN WHOLE OR IN AS A DIRECT COST TO THE FEDERAL AWARD, AND THE NEWLY HIRED EMPLOYEE RESIGNS FOR REASONS WITHIN THE EMPLOYEE'S CONTROL WITHIN 12 MONTHS AFTER HIRE, THE NON-FEDERAL ENTITY WILL BE REQUIRED TO REFUND OR CREDIT ONLY THE FEDERAL SHARE OF SUCH RELOCATION COSTS TO THE FEDERAL GOVERNMENT.

SELECTED ITEMS OF COST

- **200.463 – RECRUITING COSTS**

- TO MEET THE NEEDS ASSOCIATED WITH OBTAINING CRITICAL FOREIGN RESEARCH SKILLS, NEW LANGUAGE AND STANDARDS FOR SHORT TERM TRAVEL VISA COSTS HAVE BEEN ADDED UNDER PARAGRAPH (D).

SELECTED ITEMS OF COST

- **200.464 – RELOCATION COSTS OF EMPLOYEES**
 - LIMITS THE PREVIOUSLY UNLIMITED AMOUNT OF TIME FOR WHICH A FEDERAL AWARD MAY BE CHARGED FOR THE COSTS OF AN EMPLOYEE'S VACANT HOME TO UP TO SIX MONTHS.

SELECTED ITEMS OF COST

- 200.465 – RENTAL COSTS OF REAL PROPERTY AND EQUIPMENT
 - RENTAL COSTS UNDER “SALE AND LEASE BACK”
 - RENTAL COSTS UNDER “LESS-THAN-ARM'S LENGTH”
 - HOME OFFICE SPACE

SELECTED ITEMS OF COST

- 200.469 - STUDENT ACTIVITY COSTS

- STUDENT ACTIVITIES ARE PRIMARILY APPLIES TO IHES,
APPLICABILITY IS EXPANDED TO ALL ENTITIES TO FURTHER
MITIGATE RISKS OF WASTE, FRAUD, AND ABUSE.

SELECTED ITEMS OF COST

- 200.470 - TAXES (INCLUDING VALUE ADDED TAX)
 - PARAGRAPH (A) – STATES, LOCAL GOVERNMENT AND INDIAN TRIBES
 - PARAGRAPH (B) NONPROFITS AND IHES
 - ADDS PARAGRAPH (C) – VALUE ADDED TAXES – FOREIGN TAXES

SELECTED ITEMS OF COST

- 200.474 – TRAVEL COSTS

- PROVIDES THAT TEMPORARY DEPENDENT CARE COSTS THAT RESULT DIRECTLY FROM TRAVEL TO CONFERENCES AND MEET SPECIFIED STANDARDS ARE ALLOWABLE.

COST PRINCIPLES

QUESTIONS??

SUMMARY

IMPACT OF NEW UNIFORM GUIDANCE

- ELIMINATES DUPLICATIVE AND CONFLICTING GUIDANCE
- FOCUS ON PERFORMANCE AND INTERNAL CONTROLS OVER DIRECTIVE COMPLIANCE FOR ACCOUNTABILITY
- PROVIDES FRAMEWORK FOR STANDARD BUSINESS PROCESSES & DATA DEFINITIONS
- PROMOTES EFFICIENT USE OF IT AND SHARED SERVICES
- REQUIRES CONSISTENT AND TRANSPARENT TREATMENT OF COSTS
- ENCOURAGES FAMILY-FRIENDLY POLICIES
- STRONGER OVERSIGHT & TARGET AUDITS ON RISK OF WASTE, FRAUD, AND ABUSE
- INCREASED ACCOUNTABILITY FOR EFFECTIVE RESOLUTION OF WEAKNESSES

ADMINISTRATIVE REQUIREMENTS FOR RECIPIENTS

- CONSOLIDATION OF ADMINISTRATIVE REQUIREMENTS OF OMB CIRCULARS A-102 AND A-110 INTO A UNIFORM SET OF ADMINISTRATIVE REQUIREMENTS FOR ALL GRANT RECIPIENTS
 - BASIS APPEARS TO BE A-110 EXCEPT FOR PROCUREMENT WHICH ALIGNS WITH A-102
- CLARIFICATION FEDERAL EXPECTATIONS FOR PASS-THROUGH ENTITIES
 - CONSOLIDATES AND CLARIFIES SUBRECIPIENT MONITORING
 - INDICATES THAT ALL SUBAWARDS SHALL INCLUDE A PROVISION FOR INDIRECT COSTS
 - EITHER NEGOTIATED OR A DE MINIMIS RATE OF 10%

FEDERAL AGENCY REQUIREMENTS

- USE STANDARD FORMAT TO ANNOUNCE FUNDING OPPORTUNITIES, INCLUDING:
 - ELIGIBILITY OR QUALIFICATION INFORMATION
 - CLEAR DESCRIPTION OF ALL CRITERIA USED IN AGENCY REVIEW OF APPLICATIONS
 - DISCLOSURE OF SPECIAL TERMS AND CONDITIONS
- MAKE ALL SOLICITATIONS AVAILABLE FOR APPLICATION FOR AT LEAST 30 DAYS UNLESS REQUIRED BY STATUTE OR UNLESS EXIGENT CIRCUMSTANCES DICTATE OTHERWISE
- CONSIDER RISK (FINANCIAL STABILITY, MANAGEMENT SYSTEMS AND HISTORY OF PERFORMANCE) ASSOCIATED WITH EACH APPLICANT PRIOR TO MAKING AWARD
 - RISK ASSESSMENT MAY IMPACT TERMS AND CONDITIONS
- DESIGNATE “SINGLE AUDIT ACCOUNTABLE OFFICIAL” TO OVERSEE SINGLE AUDIT PROCESS
 - SEPARATE FROM SINGLE AUDIT COORDINATOR

PERFORMANCE OVER COMPLIANCE FOR ACCOUNTABILITY

- EMPHASIS ON STRONG INTERNAL CONTROLS AND REDUCTION IN SPECIFIC COMPLIANCE REQUIREMENTS
 - EXAMPLE: SPECIFIC EXAMPLES OF JUSTIFICATION FOR SALARIES AND WAGES ELIMINATED FOR MORE FLEXIBILITY IN IMPLEMENTING A STRONG SYSTEM OF INTERNAL CONTROLS
- ALIGNMENT WITH M-13-17 ENCOURAGING INNOVATIVE PROGRAM DESIGN BASED ON EVIDENCE
- PERFORMANCE MEASUREMENT AIMED AT DEVELOPING LESSONS LEARNED
- FIXED AMOUNT AWARDS AIMED AT PERFORMANCE MILESTONES

CONSISTENT AND TRANSPARENT TREATMENT OF COSTS

- VOLUNTARY COMMITTED COST SHARING IS NOT EXPECTED UNDER RESEARCH AWARDS
- PASS-THROUGH ENTITIES MUST PROVIDE AN INDIRECT COST RATE FOR SUBAWARDS
- STANDARDS FOR TREATING ADMIN COSTS AS DIRECT
- HIGH BAR FOR CIRCUMSTANCES WHERE AGENCIES MAY DEVIATE FROM FEDERALLY NEGOTIATED RATES
- OPTION TO EXTEND RATE FOR UP TO 4 YEARS
- DE MINIMIS RATE OF 10% OF MTDC FOR ENTITIES WITHOUT A FEDERALLY NEGOTIATED RATE

STANDARD BUSINESS PROCESSES & DATA DEFINITIONS

- SETS FRAMEWORK FOR STANDARDIZING DATA DEFINITIONS IN ALL GRANTS-RELATED FORMS GOVERNMENT-WIDE
- STANDARDIZES FORMAT FOR NOTICES OF FUNDING OPPORTUNITIES W/60 DAYS TO APPLY
- STANDARDIZES INFORMATION TO BE PROVIDED IN ALL FEDERAL AWARDS AND SUBAWARDS
- HIGHLIGHTS AREAS WHERE SPECIFIC AGENCY APPROVAL IS NEEDED

FAMILY-FRIENDLY POLICIES

- WHERE CONSISTENT WITH NON-FEDERAL ENTITY POLICY:
 - ALLOWS COSTS OF CONFERENCE HOSTS TO IDENTIFY LOCALLY AVAILABLE CHILD CARE
 - ALLOWS TEMPORARY DEPENDENT CARE COSTS THAT MEET SPECIFIED STANDARDS FOR TRAVEL
 - ALLOWS FAMILY LEAVE AS A FRINGE BENEFIT

STRONGER OVERSIGHT

- REQUIRES MANDATORY DISCLOSURES FOR CONFLICT OF INTEREST AND CRIMINAL VIOLATIONS
- REQUIRES PRE-AWARD REVIEW OF MERIT OF PROPOSAL AND RISK OF APPLICANT
- FEDERAL AGENCIES MAY ASSIGN SPECIFIC CONDITIONS FOR AWARDS BASED ON RISK
- STRONG FOCUS ON INTERNAL CONTROLS

TARGETING WASTE, FRAUD, AND ABUSE

- SINGLE AUDIT THRESHOLD RAISED FROM \$500,000 TO \$750,000 – REDUCING BURDEN FOR 5,000 ENTITIES WHILE MAINTAINING COVERAGE FOR 99% OF CURRENT DOLLARS COVERED.
- PUBLICATION OF SINGLE AUDIT REPORTS ONLINE WITH SAFEGUARDS FOR PII AND OPTIONAL EXCEPTION FOR INDIAN TRIBES
- SENIOR ACCOUNTABLE OFFICIAL TO IMPLEMENT METRICS AND ENCOURAGE COOPERATIVE RESOLUTION
- STRONG REQUIREMENT TO RELY ON EXISTING AUDITS FIRST

GUIDANCE REFORM FUTURE – WHAT’S NEXT

December 2013: Final Guidance Published

June 2014: Agencies Submit Draft Rules to OMB, Continued Outreach on Implementation

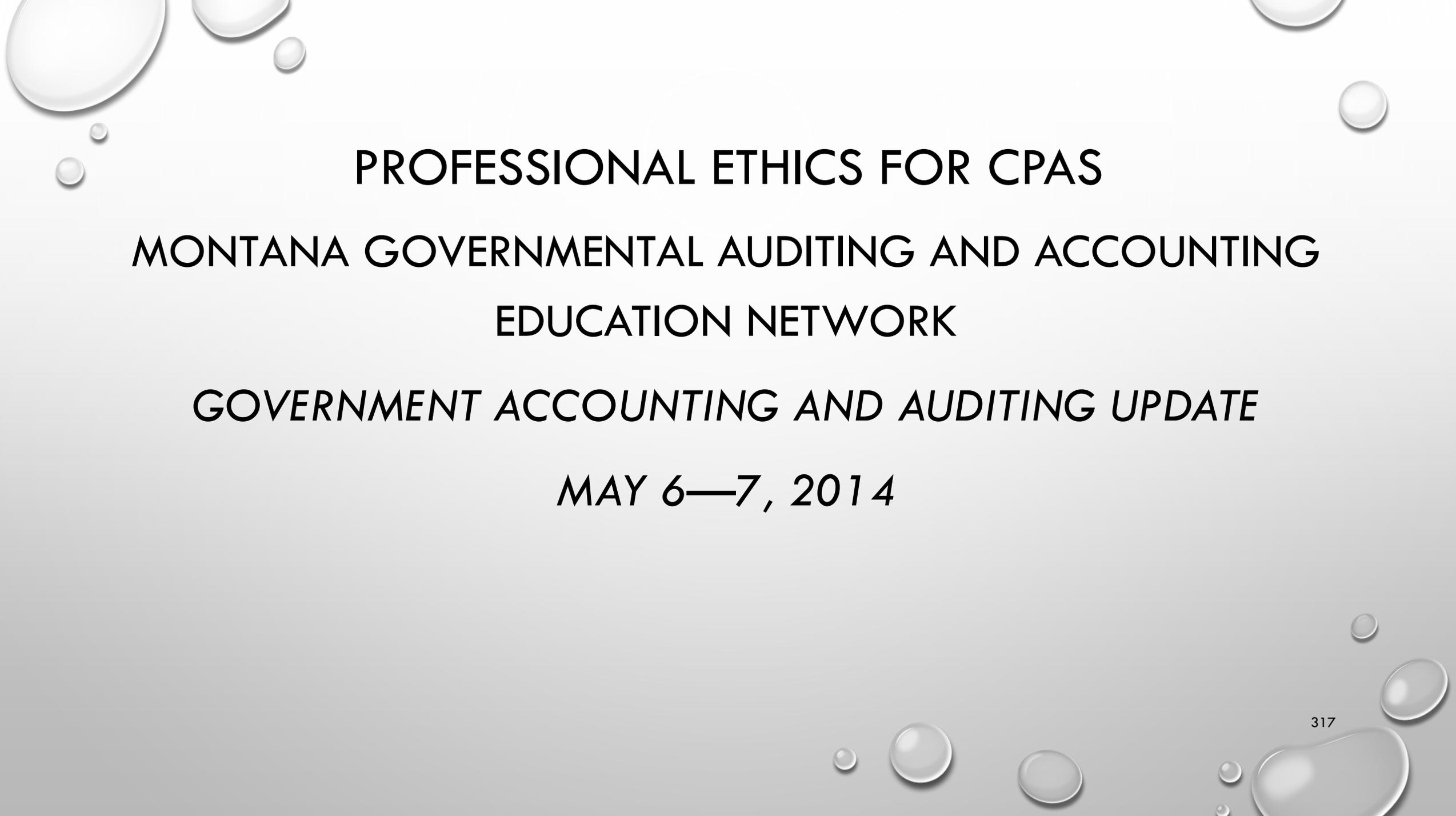
January-April 2014: Training Webcasts, Single Audit & Other Metrics, Publish 2014 Single Audit Compliance Supplement

December 2014: Final Guidance Effective, Baseline Metrics Collected, Case Studies of Best Practices Published

Questions!

Gerry Boaz, CPA, CGFM
Technical Manager
Tennessee Comptroller of the Treasury
Division of State Audit
Gerry.Boaz@cot.tn.gov
615.747.6252

Jerry E. Durhamn, CPA, CGFM, CFE
Assistant Director
Tennessee Comptroller of the Treasury
Division of Local Government Audit
Jerry.Durham@cot.tn.gov
615.401.7951



PROFESSIONAL ETHICS FOR CPAS
MONTANA GOVERNMENTAL AUDITING AND ACCOUNTING
EDUCATION NETWORK
GOVERNMENT ACCOUNTING AND AUDITING UPDATE
MAY 6—7, 2014

OBJECTIVES

- COVER THE ITEMS LISTED IN THE MONTANA STATE LAW
- APPLY TO REAL EXAMPLES



- ethics
- ethics
- ethics **definition**
- ethics **vs morals**
- ethics **in business**

About 49,300,000 results (0.19 seconds)

eth·ics
 /'eTHiks/

noun

- moral principles that govern a person's or group's behavior.
 "Judeo-Christian ethics"
synonyms: moral code, morals, **morality**, values, rights and wrongs, principles, ideals, standards (of behavior), value system, virtues, dictates of conscience [More](#)
- the branch of knowledge that deals with moral principles.

[Ethics - Wikipedia, the free encyclopedia](#)
 en.wikipedia.org/wiki/**Ethics** ▾ Wikipedia ▾
 Ethics, sometimes known as philosophical **ethics**, **ethical** theory, moral theory, and moral philosophy, is a branch of philosophy that involves systematizing, ...
[Business ethics](#) - [Normative ethics](#) - [Meta-ethics](#) - [Applied ethics](#)

[Ethic - Definition and More from the Free Merriam-Webster Dictionary](#)
 www.merriam-webster.com/dictionary/ethic ▾ Merriam-Webster ▾
 rules of behavior based on ideas about what is morally good and bad. **ethics** : an area

About 12,600,000 results (0.27 seconds)

Scholarly articles for ethics and productivity

- [Ethics in management: Vedantic perspectives](#) - Chakraborty - Cited by 105
- [Improving organizational productivity: Add ethics](#) - Burke - Cited by 23
- [... pay and teachers' effort, productivity and grading ethics](#) - Lavy - Cited by 247

[How to Harness Ethics to Increase Productivity](#) - Josephson Institut...
[josephsoninstitute.org/business/resources/increase_productivity.html](#) ▼
 The solution: One key is business ethics, an essential driver of productivity. The benefits are irresistible: At very low cost, business ethics boosts output, promotes ...

[Survey: Ethics impact employment and productivity](#) - Reliable Plant
[www.reliableplant.com/.../survey-ethics-impact-employment-productivit...](#) ▼
 Whether a company acts ethically is a significant factor in the average American's willingness to work for an employer, according to independent research ...

[Do Ethics Affect Productivity at Work? | Chron.com](#)
[smallbusiness.chron.com > ... > Employee Behavior](#) ▼
 The question of ethics in the workplace often hinges on matters of productivity. Unscrupulous companies may permit or even demand unethical practices if it ...

[Work Ethics, Attitude & Productivity | Chron.com](#)
[smallbusiness.chron.com > Advertising & Marketing > Product Life Cycle](#) ▼
 A positive attitude toward maintaining high standards for work ethics usually creates a productive environment in which people take pride in the work, and ...

...our right and wrong
principles of professional

ethics

... a c
behaviour, esp of a particul
group, profession, or indivi
the moral fitness of a d





EAT
DRINK
&
BE
MERRY

MSU LOCAL GOVERNMENT CENTER

http://www.msulocalgov.org/resources/index.cfm?d=%2FResources%20by%20Topic%2FEthics

MarketWatch - Stock M... Montana State Univ... msulocalgov.org

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Citrix Access Gateway (2) TD Ameritrade GASB Observations by Ger... 5 new News Currents! Stoc... Comptroller Intranet - Ho... MarketWatch - Stock Mar... Intranet

MCA Code of Ethics	
 Nepotism FAQ	Nepotism as defined by Montana Code Annotated
 State of Montana Ethics Handbook	The State Human Resources Division publishes Ethics: Standards of Conduct for State Employees.
 State of Montana Online Ethics Training	A half-hour on-line presentation covering the Code of Ethics in state law. Includes situations for you to consider how the law applies. This training satisfies the requirements of the State Ethics Policy for all state employees. You dont need to register for the training, and you can participate at any time. To listen to the content of the presentation, you may need external speakers or a headset, otherwise you will only be able to read the closed captioning.
 What is Good and What is Right - Ethics in Montana Municipal Government	What is Good and What is Right - Ethics in Montana Municipal Government

150% Desktop 3:52 PM 4/24/2014

MT BOARD OF PUBLIC ACCOUNTS

- 7 MEMBERS ARE APPOINTED BY THE GOVERNOR WITH SENATE CONFIRMATION
- MEETING DATES POSTED ON WEBSITE:

STATE OF MONTANA ETHICS HANDBOOK

STANDARDS OF CONDUCT FOR STATE EMPLOYEES

- PUBLISHED BY THE STATE HUMAN RESOURCES DIVISION ETHICS
- TABLE OF CONTENTS
 - INTRODUCTION
 - WHY HAVE STANDARDS OF CONDUCT?
 - WHAT CAN GUIDE MY CONDUCT?
 - STANDARDS OF CONDUCT
 - DISCLOSURE REQUIREMENTS OF THE LAW
 - ENFORCEMENT OF THE STANDARDS OF CONDUCT
 - CLOSING
 - RESOURCES

STATE CODE OF ETHICS ON-LINE PRESENTATION

- COST: NONE
- THIS TRAINING SATISFIES THE REQUIREMENTS OF THE STATE ETHICS POLICY FOR ALL STATE EMPLOYEES. YOU DON'T NEED TO REGISTER FOR THE TRAINING, AND YOU CAN PARTICIPATE AT ANY TIME. TO LISTEN TO THE CONTENT OF THE PRESENTATION, YOU MAY NEED EXTERNAL SPEAKERS OR A HEADSET, OTHERWISE YOU WILL ONLY BE ABLE TO READ THE CLOSED CAPTIONING.
- [HTTP://HR.MT.GOV/CONTENT/HRPP/DOCS/GUIDES/CODEOFETHICSPDF](http://hr.mt.gov/content/hrpp/docs/guides/codeofethicspdf)

LICENSURE

- INDIVIDUALS MUST HAVE A PERMIT TO PRACTICE (ACTIVE STATUS) TO PRACTICE PUBLIC ACCOUNTING IN MONTANA. SEE BELOW FOR THE DEFINITION OF THE PRACTICE OF PUBLIC ACCOUNTING ACCORDING TO 37-50-101(10), MCA.
- "PRACTICE OF PUBLIC ACCOUNTING" MEANS PERFORMING OR OFFERING TO PERFORM, BY A PERSON CERTIFIED UNDER 37-50-302, MCA; LICENSED UNDER 37-50-303, MCA; OR HOLDING A PRACTICE PRIVILEGE UNDER 37-50-325, MCA FOR A CLIENT OR POTENTIAL CLIENT ONE OR MORE TYPES OF SERVICES INVOLVING THE USE OF ACCOUNTING OR AUDITING SKILLS, INCLUDING:
 - THE ISSUANCE OF REPORTS OR FINANCIAL STATEMENTS ON WHICH THE PUBLIC MAY RELY;
 - ONE OR MORE TYPES OF MANAGEMENT ADVISORY OR CONSULTING SERVICES;
 - THE PREPARATION OF TAX RETURNS; OR
 - FURNISHING ADVICE ON TAX MATTERS.

RENEWAL INSTRUCTIONS

The screenshot shows a web browser window displaying the eBiz.mt.gov website. The browser's address bar shows the URL https://ebiz.mt.gov/pol/. The website header features the eBiz.mt.gov logo and navigation links for Instructions, How Do I, and Feedback. A note states that the website is periodically updated and may look different from previous versions. Below the note, there are instructions for registering for a new account, renewing a license, or printing a license. A search bar is located to the right of the note. The main content area has three tabs: Home, Professional & Occupational Licensing, and Health Care Licensing. Under the Professional & Occupational Licensing tab, there are links for Renewal, Application for Licensure, and Licensee Lookup. A login form is titled 'Login Here' and includes fields for User Name and Password, a Login button, and a checkbox for 'Remember me on this computer'. There are also links for 'I've forgotten my password' and 'New Users: Register for an Account'. A red box highlights a search icon in a smaller browser window inset at the bottom left.

https://ebiz.mt.gov/pol/

Instructions | [How Do I](#) | [Feedback](#)

NOTE: This website is periodically updated and this page may look slightly different than the information you were provided.

For instructions to register for a new account, renew your license, or print your license [click here](#).

Home | Professional & Occupational Licensing | Health Care Licensing

Renewal - please login to renew your license
Application for Licensure - please register for an account
Licensee Lookup - registration is not required, see link below

Your E-Pass information (License and Pin Number) will not work when trying to login to this service.

If any web pages do not look correct or buttons are missing click the icon on the top of your web page that looks like the one outlined below.

Login Here

User Name:
Password:

Remember me on this computer
[I've forgotten my password.](#)
New Users: [Register for an Account](#)

329 125%

MT CPE GENERAL REQUIREMENTS

- DURING THE THREE-YEAR PERIOD, ENDING THE JUNE 30TH IMMEDIATELY PRECEDING THE PERMIT YEAR OF JANUARY 1 THROUGH DECEMBER 31, APPLICANTS FOR A PERMIT TO PRACTICE MUST COMPLETE 120 HOURS OF ACCEPTABLE CONTINUING EDUCATION CREDIT, EXCEPT AS OTHERWISE PROVIDED.
- AT LEAST TWO HOURS OF THE 120 HOURS OF ACCEPTABLE CONTINUING EDUCATION CREDIT MUST CONSIST OF KNOWLEDGE AND THE APPLICATION OF ETHICS OR THE CODES OF PROFESSIONAL CONDUCT OF CERTIFIED PUBLIC ACCOUNTANTS AND LICENSED PUBLIC ACCOUNTANTS.

MT CPE GENERAL REQUIREMENTS (CONT.)

- APPLICANTS WHO HAVE ALREADY MET THE FULL BASIC REQUIREMENT BY THE END OF ANY JUNE 30TH REPORTING PERIOD MAY ELECT TO HAVE EXCESS CONTINUING EDUCATION HOURS TAKEN DURING THE IMMEDIATELY PRECEDING MONTHS OF MAY AND JUNE APPLY TO THE SUBSEQUENT REPORTING PERIOD.
- APPLICANTS WHO HAVE NOT COMPLETED THEIR FULL BASIC REQUIREMENTS BY THE END OF ANY JUNE 30TH REPORTING PERIOD MAY ELECT TO HAVE QUALIFIED CONTINUING EDUCATION HOURS TAKEN DURING THE IMMEDIATELY FOLLOWING MONTHS OF JULY AND AUGUST APPLY TO THE PREVIOUS REPORTING PERIOD.

MCA CODE OF ETHICS TITLE 2 PART 1

- STANDARDS OF CONDUCT

- 2-2-101. STATEMENT OF PURPOSE
- 2-2-102. DEFINITIONS
- 2-2-103. PUBLIC TRUST -- PUBLIC DUTY
- 2-2-104. RULES OF CONDUCT FOR PUBLIC OFFICERS, LEGISLATORS, AND PUBLIC EMPLOYEES
- 2-2-105. ETHICAL REQUIREMENTS FOR PUBLIC OFFICERS AND PUBLIC EMPLOYEES
- 2-2-106. DISCLOSURE
- 2-2-121. RULES OF CONDUCT FOR PUBLIC OFFICERS AND PUBLIC EMPLOYEES
- 2-2-131. DISCLOSURE
- 2-2-144. ENFORCEMENT FOR LOCAL GOVERNMENT

PROFESSIONAL CONDUCT

- DOING SOMETHING YOU SHOULDN'T
- NOT DOING SOMETHING YOU SHOULD
(FAILURE TO ACT)

AICPA CODE OF PROFESSIONAL CONDUCT

- AICPA'S CODE OF PROFESSIONAL CONDUCT STILL APPLY WHEN THE RULES ARE SILENT



CODE OF PROFESSIONAL CONDUCT

- PROVIDES A FRAMEWORK FOR EXPANDING PROFESSIONAL SERVICES AND RESPONDING TO OTHER CHANGES IN THE PROFESSION
- ISSUED BY THE AICPA

CODE OF PROFESSIONAL CONDUCT

- PRINCIPLES

- IDEAL STANDARDS OF ETHICAL CONDUCT.
FRAMEWORK FOR THE “RULES OF CONDUCT.”
GOAL ORIENTED.

- RULES OF CONDUCT

- MINIMUM STANDARDS OF ETHICAL CONDUCT;
ENFORCEABLE APPLICATIONS OF THE PRINCIPLES.

- INTERPRETATIONS TO THE RULES OF CONDUCT

- PROVIDE GUIDANCE AS TO THE SCOPE AND
APPLICATION OF THE RULES OF CONDUCT TO
SPECIFIC BUSINESS SITUATIONS

- ETHICAL RULINGS

- PUBLISHED EXPLANATIONS AND ANSWERS TO
SPECIFIC FACTUAL CIRCUMSTANCES POSTED TO THE
AICPA

APPLICABILITY OF THE RULES OF CONDUCT

- THE AICPA MEMBER IS HELD RESPONSIBLE FOR COMPLIANCE BY ALL PERSONS ASSOCIATED WITH HIM, WHO ARE UNDER HIS SUPERVISION, OR WHO ARE THEIR FELLOW PARTNERS
- THE AICPA MEMBER SHALL NOT PERMIT OTHERS TO CARRY OUT, ON THEIR BEHALF, ACTS WHICH, IF CARRIED OUT BY THE MEMBER, WOULD PLACE THE MEMBER IN VIOLATION OF THE RULES

INDEPENDENCE, INTEGRITY, & OBJECTIVITY

- INDEPENDENCE
- INTEGRITY AND OBJECTIVITY
 - INTEGRITY IS AN ELEMENT OF CHARACTER FUNDAMENTAL TO PROFESSIONAL RECOGNITION (ET § 54.01)
 - INTEGRITY IS MEASURED IN TERMS OF WHAT IS RIGHT AND JUST. IN THE ABSENCE OF SPECIFIC RULES, STANDARDS, OR GUIDANCE, OR IN THE FACE OF CONFLICTING OPINIONS, A MEMBER SHOULD TEST DECISIONS AND DEEDS BY ASKING: "AM I DOING WHAT A PERSON OF INTEGRITY WOULD DO? HAVE I RETAINED MY INTEGRITY?" (ET § 54.03)



• LICENSEE SHALL **COMPLY WITH THE FOLLOWING STANDARDS**

- PROFESSIONAL COMPETENCE
- DUE PROFESSIONAL CARE
- PLANNING AND SUPERVISION
- SUFFICIENT RELEVANT DATA

COMPETENCE

- COMPLIANCE WITH STANDARDS

- LICENSEES WHO PERFORM ATTEST, MAS, TAX, OR OTHER PROFESSIONAL SERVICES SHALL COMPLY WITH STANDARDS PROMULGATED BY THE AICPA OR OTHER ENTITIES HAVING SIMILAR AUTHORITY

- (“RULE 202”)

- ACCOUNTING PRINCIPLES

- LICENSEES SHALL NOT

- EXPRESS AN OPINION THAT THE FINANCIAL STATEMENTS ARE PRESENTED IN CONFORMITY WITH GAAP OR
- STATE THAT THEY ARE NOT AWARE OF ANY MATERIAL MODIFICATIONS THAT SHOULD BE MADE

- IF SUCH STATEMENTS OR DATA CONTAIN ANY DEPARTURE FROM GAAP

- “RULE 203”

CONFIDENTIAL CLIENT INFORMATION

- LICENSEE SHALL NOT DISCLOSE ANY CONFIDENTIAL CLIENT INFORMATION WITHOUT THE SPECIFIC CONSENT OF THE CLIENT
- CONCERNS APPLYING RULE 301
 - DUAL RESPONSIBILITY TO CLIENTS AND PUBLIC
 - CLIENT CONFIDENTIALITY
 - CPAS DO NOT GENERALLY ENJOY THE SAME PROTECTION POSSESSED BY LAWYERS, DOCTORS, ETC. – NO COMMON LAW PRIVILEGE
 - INFO CANNOT BE DISCLOSED UNLESS DEMANDED BY A COURT HAVING SUBPOENA OR SUMMONS POWER
 - WHAT IF CLIENT BREAKS LAW?

The background features a light gray gradient with several realistic water droplets of various sizes scattered in the corners. The droplets have highlights and shadows, giving them a three-dimensional appearance.

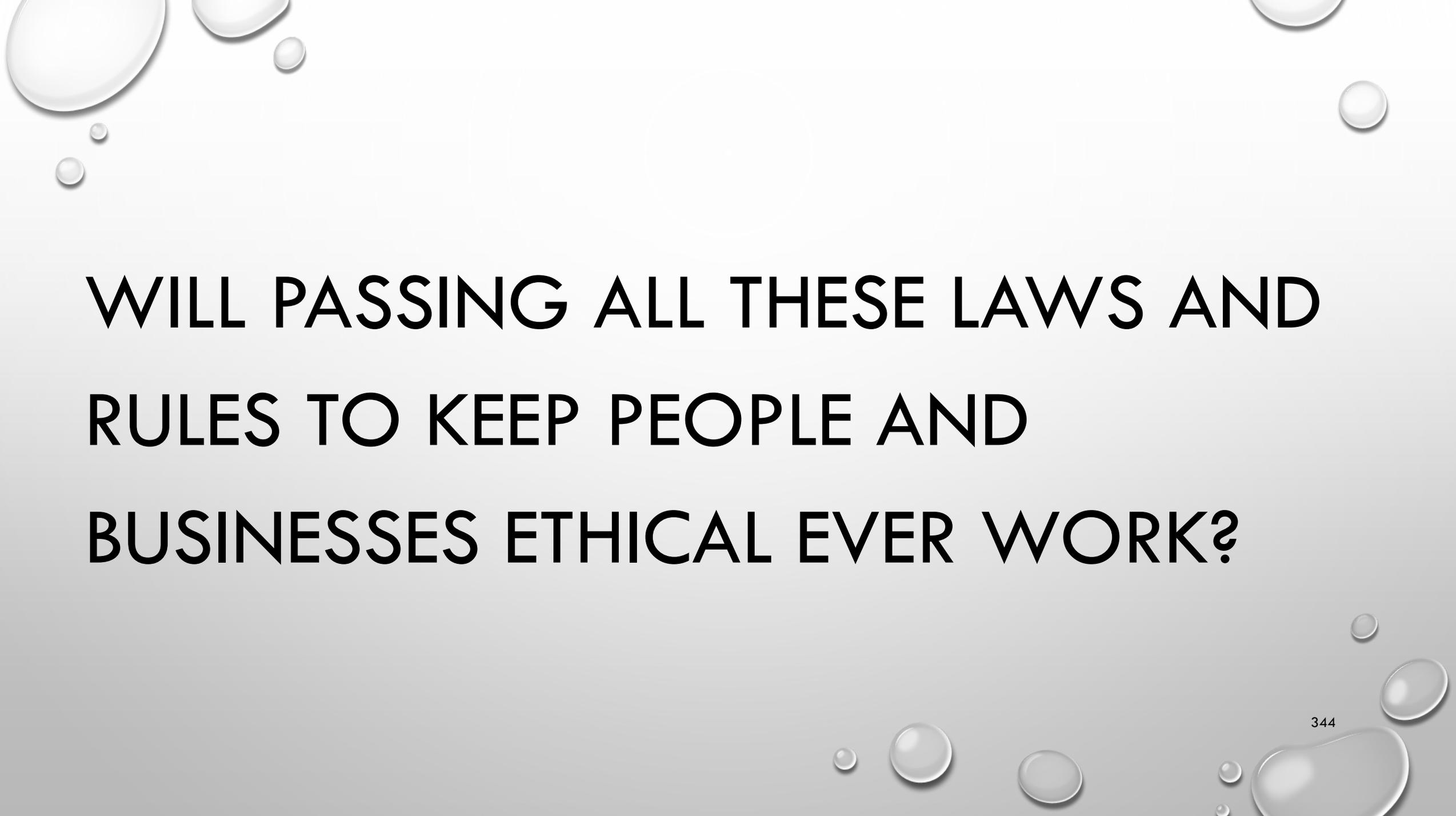
CASE STUDIES
AND
ETHICAL QUESTIONS

CONCLUDING THOUGHTS

- 73% PERCENT OF US WORKFORCE SAID THEY HAD WITNESSED UNETHICAL CONDUCT.
- THE UNETHICAL CONDUCT CONTRIBUTED TO AN UNINVITING LESS PRODUCTIVE WORKPLACE. MANY WORKERS WERE DISTRACTED BY THE CONDUCT AND TOLD AROUND 5 TO 8 OTHER PEOPLE ABOUT THE SITUATION.
- IT PAYS FOR A BUSINESS TO PROMOTE ETHICAL BEHAVIOR.
- CORPORATE ETHICS AFFECTS AN EMPLOYEE'S PRODUCTIVITY.

BY POMEROY, ANN, HRMAGAZINE, SUNDAY, JULY 1 2007





**WILL PASSING ALL THESE LAWS AND
RULES TO KEEP PEOPLE AND
BUSINESSES ETHICAL EVER WORK?**

RESOURCES ON THE WEB!!

- AICPA CODE OF PROFESSIONAL CONDUCT

[HTTP://WWW.AICPA.ORG/RESEARCH/STANDARDS/CODEOFCONDUCT/PAGES/DEFAULT.ASPX/](http://www.aicpa.org/research/standards/codeofconduct/pages/default.aspx/)

- MONTANA BOARD OF PUBLIC ACCOUNTS

[HTTP://BSD.DLI.MT.GOV/LICENSE/BSD_BOARDS/PAC_BOARD/BOARD_PAGE.ASP](http://bsd.dli.mt.gov/license/bsd_boards/pac_board/board_page.asp)

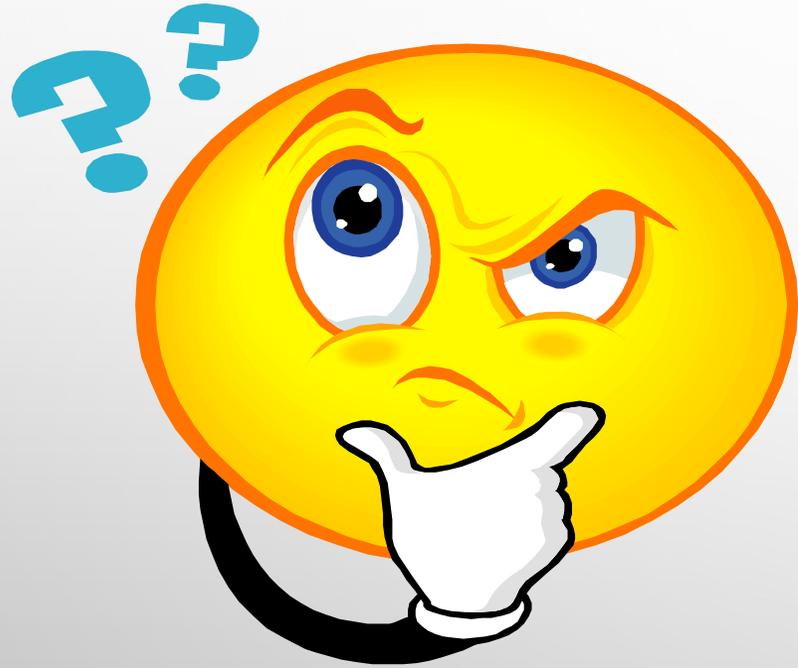
- RENEWAL INSTRUCTIONS

[HTTP://BSD.DLI.MT.GOV/ACCELA/GENERIC_INSTRUCTIONS.PDF](http://bsd.dli.mt.gov/accela/generic_instructions.pdf)

- RENEWAL LINK

[HTTPS://EBIZ.MT.GOV/POL/](https://ebiz.mt.gov/pol/)

QUESTIONS?



GERRY BOAZ, CPA, CGFM

TN DIVISION OF STATE AUDIT TECHNICAL
MANAGER

PHONE: (615) 747-5262

EMAIL: GERRY.BOAZ@COT.TN.GOV