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# A&A and Uniform Guidance Update

# Presenters



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# Agenda

Uniform Guidance Update

2023-09 – Improvement to Income Tax Disclosures

2023-01 - Leases (Topic 842): Common Control Arrangements

2023-05 – Business Combinations – Joint Venture Formations (Subtopic 805-60)

2023-08 – Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60)

Review current on-going FASB Projects

# GAO – Yellow Book – 2024 Revision Issued

- GAO issued the 2024 revision of Government Auditing Standards, also known as **the “Yellow Book,”** on February 1, 2024
- The Yellow Book **provides standards/guidance for auditors/audit organizations** by outlining requirements for audit reports, professional qualifications for auditors, and audit organization quality control
- Ensures **audit organizations produce reliable, objective, and high-quality engagements** by holding management/officials entrusted with public resources accountable for carrying out their duties
- 2024 revision is not a full-scale revision revisiting all chapters of the Yellow Book
- Focuses on how audit organizations manage audit quality, which is mainly contained in a new *Chapter 5 - Quality Management, Engagement Quality Reviews, and Peer Review*
  - Change in approach from quality control to quality management
  - Risk-based process for achieving the objectives of quality management
  - Provisions for optional engagement quality reviews of GAGAS engagements
  - Application guidance on key audit matters for financial audits

Gene L. Dodaro, Comptroller General of the United States and the head of the GAO – ***“This latest update enhances and modernizes the standards to perform high-quality audit work with competence, integrity, objectivity, and independence using a proactive and risk-based approach. Implementation of these standards leads to greater accountability of government spending and improved services and operations.”***

# GAO – Yellow Book – 2024 Revision Issued

- Adds clarification to applicability of the concept of reporting key audit matters to align with AICPA auditing standards
  - By aligning with AICPA standards, the Yellow Book helps maintain consistency and clarity in audit reporting across different types of audits
- A lot of the requirements updated in the quality management standards are things auditors are already doing, but aren't necessarily documenting
  - Who is responsible / Policies and procedures / Risk assessment / Remediation plans
- Effective date of revisions (2018 revision is effective until implementation of the 2024 Yellow Book)
  - Financial audits, attestation engagements and reviews of financial statements for periods beginning on or after December 15, 2025, with early implementation permitted
  - Critical requirements relating to the effective date:
    - System of quality management that complies with the Yellow Book must be designed and implemented by December 15, 2025
    - An audit organization should complete an evaluation of the system of quality management by December 15, 2026

# Single Audit – Uniform Guidance Revisions - Auditors

- The Uniform Guidance will now be referred to as the “OMB Guidance for Federal Financial Assistance”
- Audit requirement - Increases audit threshold from \$750K to \$1M
- Major program determination - Type A threshold increases to \$1M and applies for award expenditures up to \$34M (used to be \$25M)
  - If total annual federal expenditures of an entity > \$34 million, further changes to Type A & B thresholds as outlined in new guidance
- Questioned costs - Revises definition to clarify and provide examples of what a question cost is/isn't.
  - Adds requirement for further explanation by auditor for audit findings where auditor indicates the amount of questioned costs is “undetermined” or “unknown”
- Replaces the term non-federal entity with recipient and/or subrecipient throughout subparts A-E for better clarify (Subpart F, retain the non-federal entity term to align with the Single Audit Act)

# Single Audit – Uniform Guidance Revisions - Auditees

- Additional requirements on documentation of internal controls by award recipients including cybersecurity (reasonable cybersecurity and other measures to safeguard)
- Indirect costs – Increased de minimis rate for non-federal entities from 10% to 15% allowing for a more reasonable and realistic recovery of indirect costs cost rate
  - Recipients/subrecipients with no current federal negotiated indirect cost rate (including provisional rate) may elect to charge a de minimis rate of up to 15% of modified total direct costs when this change goes into effect
- Removes the requirement that indirect cost rates be available on a governmental website
- Modified Total Direct Costs increased definitional threshold for up to \$50,000 (from \$25,000) of each subaward
  - Indirect (F&A) costs must be distributed to applicable Federal awards/other benefitting activities within each major function on basis of modified total direct costs (MTDC), consisting of all salaries and wages, fringe benefits, materials and supplies, services, travel, and up to the first \$50,000 of each subaward (regardless of the period covered by the subaward)

# Single Audit – Uniform Guidance Revisions - Auditees

- Raises equipment and supply thresholds from \$5,000 to \$10,000
  - E.g., Equipment is purchased for \$10,000 or under, can be expensed instead of capitalized
  - Unused supplies > \$10,000 in total aggregate value upon termination/completion of project/program and supplies not needed for any other federal award, the non-federal entity must retain the supplies for use on other activities or sell them, but it must, in either case, remit back to the federal government (200.314(a))
- Removes prior written approval for 10 items of cost
- Modifies and expands definitions for period of performance and questioned costs
  - Added clarification when a federal agency decides not to continue an award with multiple budget periods, the period of performance should be amended to end at the completion of the currently authorized budget period



# Single Audit – Uniform Guidance Revisions - Auditees

- Revises multiple areas of the cost principles including the clarification of pension costs
- Adds guidance to allow cognizant agency for audit or oversight agency for audit to authorize an extension when the standard nine-month timeframe would place an undue burden on the auditee (likely extremely rare)
- Effective dates:
  - For awards issued on or after October 1, 2024, revisions to Subpart F – Audit requirement
  - Subpart F – Audit requirements – fiscal years beginning on or after October 1, 2024 (that is, fiscal year ends September 30, 2025, and after)

# 2024 OMB Compliance Supplement

- The 2024 Supplement identifies the compliance requirements for auditors to consider when performing single audits under the OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)
  - Adds 15 new programs, 1 new cluster, removes 4 clusters

## New programs:

Maternal and Child Health Services Block Grant (93.994)  
Community Mental Health Services Block Grant (93.958)  
Substance Abuse Prevention and Treatment Block Grant (93.959)  
Innovative Programs to Enhance the Workforce (93.310)  
Home and Community-Based Services Program Requirements (93.778)  
TANF Data Collection and Reporting Requirements (93.558)  
Emergency Assistance for Non-Public Schools (84.425T)  
Clean Water State Revolving Fund (CWSRF) Program (66.458)

## New cluster:

Public Health Emergency Preparedness and Response Cluster

## New programs, continued

Highway Safety Improvement Program (HSIP) (20.205)  
Supporting Effective Interventions for Children Exposed to Violence Program (16.730)  
Strengthening Community Colleges Training Grant Program (17.282)  
Coastal Zone Management Program (11.419)  
Continuum of Care Program (14.267)  
Family Violence Prevention and Services Program (93.671)  
Emergency Management Performance Grant Program (97.042)

## Removed clusters:

Foster Grandparent/Senior Companion Cluster  
Economic Adjustment Assistance (EAA) Cluster  
JAG Program Cluster (Justice Assistance Grants)  
SNAP Cluster (Supplemental Nutrition Assistance Program)

# 2024 OMB Compliance Supplement

- Appendix IV, “Higher Risk Designation” (previously titled “Internal Reference Tables”), identifies programs that are designated as “higher risk” and includes guidance on how the “higher risk” designation impacts the major program determination process
- COVID-19 Expenditures: continued guidance for recipients of federal awards to separately identify COVID-19-related expenditures from non-COVID-19 expenditures on the Schedule of Expenditures of Federal Awards (SEFA)
- SFA: The Student Financial Assistance cluster has revised several compliance requirements, particularly in the Special Tests and Provisions section

# 2024 OMB Compliance Supplement

- **Provider Relief Fund (PRF) Updates:**
  - PRF no longer designated as higher risk
  - Clarifications have been added on how and when to report PRF expenditures and lost revenue on the SEFA for fiscal year-ends on or after June 30, 2024
- **Incorporates changes to many existing programs for:**
  - Performance reporting updates
  - Changes to compliance requirements subject to audit
  - Changes to introduce Infrastructure Investment and Jobs Act (IIJA)
- **Effective date: Issued May 29, 2024, effective for audits of fiscal years beginning after June 30, 2023 (June 30, 2024, fiscal year end audits and later). It supersedes the 2023 Compliance Supplement**

# Changes to Department of Health and Human Services (HHS) Programs (Part 2 Matrix)

Requirement	A	B	C	E	F	G	H	I	J	L	M	N	
Program Number	Activities Allowed or Unallowed	Allowable Costs/Cost Principles	Cash Management	Eligibility	Equipment Real Property Management	Matching, Level of Effort, Earmarking	Period of Performance	Procurement Suspension & Debarment	Program Income	Reporting	Subrecipient Monitoring	Special Tests and Provisions	
Tribal Self-Governance and Determination Cluster Family Planning Services	93.210/93.441 (new cluster)	Y	Y	Y	Y	N	N	Y	N	Y	N	N	Y
	93.217	Y	Y	N	N	N	Y	N	N	Y	Y	Y	N
HHS Programs for Disaster Relief Appropriations Act	93.095/93.096 (delete)												
Ryan White HIV/AIDS Program Parts A and B	93.686	Y	Y	Y	N	N	Y	N	N	Y	Y	Y	N
Maternal, Infant and Early Childhood Home Visiting Grant Program	93.870	Y	Y	N	N	N	Y	N	Y	Y	Y	Y	N
Grants to Provide Outpatient Early Intervention Services With Respect to HIV Disease	93.918	Y	Y	Y	N	N	Y	N	N	Y	Y	N	N

# Changes for FEMA Disaster Grants – 97.036

- SEFA recognition confusion particularly when States place additional requirements on the funding
- 2024 Compliance Supplement additional clarity:
  - The obligation date and award date occur simultaneously for public assistance awards and subawards
  - FEMA awards to be considered subawards (not direct) when a state agency is used a pass-through entity
  - FEMA’s approval of a subaward is indicated when FEMA obligates the federal share of the eligible project costs to the recipient
  - Disallowed expenses – do not put on SEFA (i.e., do not net against current year expenditures or put a negative amount)

Excerpt from 2024 Compliance Supplement (Part 4 –Department of Homeland Security, IV. Other Information)  
“Nonfederal entities must record expenditures on the Schedule of Expenditures of Federal Awards (SEFA) when (1) FEMA has approved the nonfederal entity’s Project, and (2) the nonfederal entity has incurred the eligible expenditures. **FEMA’s approval of a subaward is indicated when FEMA obligates the federal share of the eligible project cost to the recipient.** Federal awards expended in years subsequent to the fiscal year in which the Project is approved are to be recorded on the nonfederal entity’s SEFA in those subsequent years.”

# Single Audit – HHS-OIG New Single Audit Website

- Launched to help stakeholders strengthen their understanding of the scope of single audits and improve audit quality
- This new page includes a section on [HHS OIG oversight activities](#) which details the OIG efforts around performed quality control reviews and desk reviews
- Provides summary of [common quality deficiencies](#) noted in HHS desk reviews and quality control review
- [Single Audits | Office of Inspector General | Government Oversight | U.S. Department of Health and Human Services \(hhs.gov\)](#)

# Single Audit – HHS- 2023 OIG oversight activities

## By the Numbers

HHS-OIG reviewed 526 Single Audit reports covering:



**\$4.8 trillion**  
in audited costs

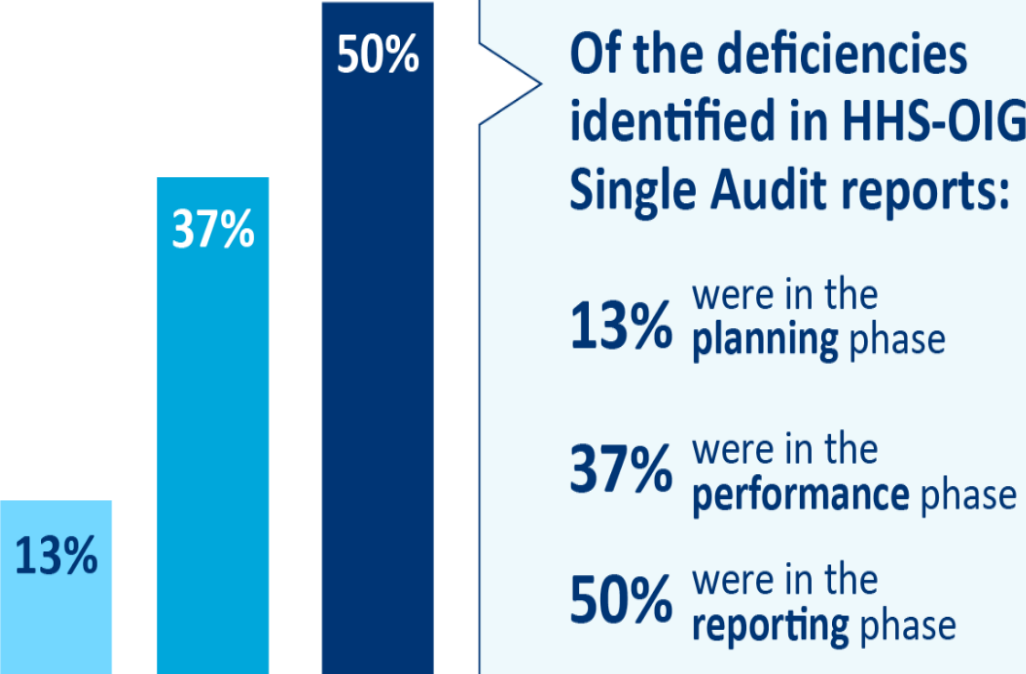


**\$1.6 trillion**  
in Federal dollars



**\$729 billion**  
in HHS funds

## By the Numbers





# Common Audit Quality Findings

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



# GAQC Resources

## Auditees:

- [GAQC Webinar for First-time Single Audit](#)
- [Procuring Governmental Services](#)
- [Tips for Organizations Subject to Single Audit Requirements](#)
- [Getting Ready for a Single Audit](#)
- [FAQs for Organizations Needing a Single Audit](#)

## Auditors:

- [GAQC 4-part 8-hour Single Audit Fundamentals Events](#)
- [Practice Aid, \*Government Auditing Standards\* Primer](#)
- [Single Audit Tips for Auditors](#)
- [Smart Sampling in a Single Audit](#)
- [Tackling Internal Control Over Compliance in a Single Audit](#)

# ASU 2023-09: Improvement to Income Tax Disclosures

- Purpose: FASB wants to enhance the transparency and decision usefulness of income tax disclosures
- Amendments primarily relate to:
  - Rate reconciliation
  - Income taxes paid
- Also includes certain other amendments to improve the effectiveness of income tax disclosures
- Investor feedback for suggested enhancements
  - Understand an entity's exposure to potential changes in jurisdictional tax legislation and the ensuing risks and opportunities; and
  - Access income tax information that affects cash flow forecasts and capital allocation decisions, and
  - Identify potential opportunities to increase future cash flows
- Effective date for NFPs: CY2026/FY2027

# ASU 2023-09: Improvement to Income Tax Disclosures Rate Reconciliation – Entities Other than Public Business Entities

- Amended Guidance - Improves **qualitative** disclosure by requiring **entities other than public business entities** to disclose nature and effect of specific categories of reconciling items and individual jurisdictions that result in a **significant difference between the statutory tax rate and the effective tax rate**; a numerical reconciliation is not required (public business entities are required to provide a numerical rate reconciliation).
- Categories to include these areas, as applicable:
  - State and local income tax
  - Net of federal (national) income tax effect
  - Foreign tax effects
  - Enactment of new tax laws or effect of cross-border tax laws
  - Tax credits
  - Valuation allowances
  - Nontaxable or nondeductible items
  - Change in unrecognized tax benefits

**Illustrative Example - The difference between Entity W's effective tax rate and its statutory tax rate is primarily attributed to tax credits, state taxes, and foreign taxes. More specifically, the foreign tax effects of Entity W's operations in Ireland had a decreasing effect on its effective tax rate, while the foreign tax effects of Entity W's operations in France had an increasing effect on its effective tax rate. Entity W received federal research and development tax credits, which decreased its effective tax rate, while state taxes in California increased its effective tax rate.**

# ASU 2023-09: Improvement to Income Tax Paid Disclosures – All Entities

**Amended Guidance** – Disaggregation of income taxes paid on an annual basis:

- Disaggregated by federal (national), state, and foreign taxes on both an interim (as applicable) and annual basis (net of refunds received)
- Disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) comprising 5 % or more of total income taxes paid (net of refunds received)

	Year Ended December 31, 2026								
	U.S. Federal	U.S. States				Foreign			Total
		New Jersey	Missouri	Other	Subtotal	Mexico	Other	Subtotal	
Income taxes paid (refunded), net	\$11,000	\$4,000	\$2,000	\$1,000	\$7,000	\$4,000	\$1,000	\$5,000	\$23,000

# ASU 2023-09: Improvement to Income Tax Disclosures

Other changes:

- **Additional disclosures for:**
  - Income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign
  - Income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign
- **Removal of disclosure requirements for:**
  - Nature and estimate of the range of reasonably possible change in unrecognized tax benefits balance in next 12 months, or make a statement that an estimate of the range cannot be made
  - Cumulative amount of each type of temporary difference when a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures

# ASU 2023-09: Improvement to Income Tax Disclosures, Other Required Disclosures, Transition and Effective Date

## All entities will be required to disclose:

- Income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign.
- Income tax expense (or benefit) from continuing operations disaggregated by federal, state, and foreign taxes.

## Transition and Effective Date

- Require prospective transition with a retrospective option
- **Public business entities:** Annual periods beginning after December 15, 2024
- **Entities other than public business entities:** Annual periods beginning after December 15, 2025
- Early adoption is permitted

# 2023-01 - Leases (Topic 842): Common Control Arrangements

What is the purpose of 2023-01?

- Respond to issues related to applying Topic 842 to related party arrangements between entities under common control for private company stakeholders
  - Terms and conditions to be considered
  - Accounting for leasehold improvements

Who can apply 2023-01?

- Private companies and not-for-profit entities that are not conduit bond obligors for terms and conditions; all entities for leasehold improvements

When is 2023-01 effective?

- Fiscal years beginning after December 15, 2023, including interim periods within those fiscal years with early adoption permitted. Adoption can be handled retrospectively or prospectively.



# 2023-01 - Leases (Topic 842): Common Control Arrangements

What are the changes for terms and conditions?

- Creation of practical expedient to use written terms and conditions to determine whether a lease exists, and if so, the classification and accounting for that lease
- Eliminate need to evaluate whether the terms and conditions are enforceable
- Organizations are able to elect the practical expedient on an arrangement-by-arrangement basis
- Unwritten terms will need to be assessed for legal enforceability
- **Ability to document existing unwritten terms and conditions in writing before the date of the first annual FS are available to be issued**

# 2023-01 - Leases (Topic 842): Common Control Arrangements

What are the changes for accounting for leasehold improvements?

- Amortization of leasehold improvements can be adjusted to the useful life of the asset to the common control group not term of lease if lessee continues to control the use of the underlying asset throughout a lease
- When lessee no longer controls the underlying asset, any remaining unamortized leasehold improvements are accounted for as a transfer between entities under common control with adjustment to equity or net assets
- Leasehold improvements will be subject to impairment requirements in Topic 360, Property, Plant and Equipment

# 2023-05 – Joint Ventures

- What is the purpose of 2023-05?
  - Standardize the accounting for contributions made to a joint venture when it is formed by applying a new basis of accounting to recognize its assets and liabilities at fair value
- What are the key changes in the accounting treatment for a new joint venture?
  - Measurement of identifiable net assets and goodwill at formation date
  - Net assets plus goodwill and any non-controlling interest will equal the fair value of 100% of its equity at formation date
- When is 2023-05 effective?
  - Effective prospectively for all joint ventures with formation dates on or after January 1, 2025

# 2023-08 – Intangibles – Goodwill and Other – Crypto Assets

- What is the purpose of 2023-08?
  - Clarify the best approach for accounting for crypto-related assets and address issues with current accounting treatment as an indefinite-lived intangible asset
- Current issues with Crypto-Asset Treatment
  - Recording at cost (less impairment) which does not provide useful information as only decreases in value are recorded until sold
  - Complexity exists in testing for impairment
- When is 2023-08 effective?
  - Effective for all entities for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted.
- How will 2023-08 be adopted?
  - Adoption will take place through a cumulative-effect adjustment to the opening balance of retained earnings or net assets as of the beginning of the reporting period in which the entity adopts the amendments

# 2023-08 – Intangibles – Goodwill and Other – Crypto Assets

- What is the new requirements for crypto-assets?
  - Measure crypto assets at fair value with changes recognized in net income each reporting period
  - Present crypto assets at fair value separately from other intangible assets in the balance sheet or statement of financial position
  - Show changes in fair value measurement of crypto assets separately from changes in the carrying amounts of other intangibles assets in the income statement or statement of activities

# 2023-08 – Intangibles – Goodwill and Other – Crypto Assets

- What are the footnote disclosure requirements for crypto asset holdings?
  - The name of the crypto asset, cost basis, fair value, and number of units for each significant crypto asset holding and the aggregate fair values and cost bases of the crypto asset holdings that are not individually significant
  - For crypto assets subject to restrictions, the fair value of those crypto assets, the nature and remaining duration of the restrictions that could cause the restrictions to lapse
  - Reconciliation, in the aggregate, of activity from opening to closing balances in the reporting period, including additions (and description of activities yielding additions), dispositions, gains, and losses
  - The method for determining the cost basis of crypto assets
  - For any dispositions of crypto assets in the reporting period, total amount of cumulative realized gains and cumulative realized losses from dispositions and a description of the activities that resulted in the dispositions
  - Additional disclosures required for crypto assets subject to contractual sale restrictions

# 2023-08 – Intangibles – Goodwill and Other – Crypto Assets

## ■ What is the scope of 2023-08?

- A crypto asset must meet the definition of an intangible asset as defined in the Codification's Master Glossary
- The crypto asset does not provide the asset holder with enforceable rights to, or claims on, underlying goods, services, or other assets
- Crypto asset must be created or reside on a distributed ledger based on blockchain technology by a 3rd party
- The crypto asset must be secured through cryptography
- The crypto asset must be fungible (sorry no non-fungible tokens)



# On-Going FASB Projects

- Accounting for and Disclosure of Software Costs
  - Goals of project –
    - Modernize the accounting for software costs
    - Enhance the transparency about an entity's software costs
  - Current tentative decisions provided by FASB
    - Require capitalization of software costs to begin at the point when the software project is probable of being completed
    - Support for defining the unit of account as a software project – may group together one or more activities together that together will achieve an overall objective
    - End capitalization and begin amortization when the project is substantially complete and the software is placed into service



# On-Going FASB Projects

- Accounting for Government Grants (For-Profit Entities)

- Goals of project –

- Create recognition, measurement, and presentation requirements for business entities that receive government grants

- Current tentative decisions provided by FASB

- **Scoped in** – transfers of monetary and tangible nonmonetary assets from a government to a business entity, including forgivable loans

- **Scoped out** – exchange transactions with governmental entities that fall under Topic 606, below-market interest rate loans, and government guarantees

- **Recognition, Measurement, and Presentation** –

- Recognize a government grant when it is probable that (1) the entity will comply with the conditions of the grants and (2) the grant will be received
      - Grants related to income should be recognized in the income statement in the periods in which the entity incurs the grant-related costs
      - Grants related to assets should be recognized as part of the cost of the assets

# Thank you! Questions?



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