

Updates to 2019 Compliance Supplement Web Event – Originally Presented June 5, 2019

IMPORTANT NOTE: SOME ASPECTS OF THIS PRESENTATION HAVE BECOME OUT-OF-DATE DUE TO THE ISSUANCE BY OMB OF THE CORRECTION EDITION OF THE 2019 SUPPLEMENT. READ [GAQC ALERT #390](#) TO LEARN MORE.

THE FOLLOWING ARE IMPORTANT UPDATES TO VARIOUS SLIDES WITHIN THE SLIDE DECK. YOU SHOULD ENSURE YOU REFER TO THIS DOCUMENT AS YOU LISTEN TO THE ARCHIVE OR WHEN YOU REVIEW OR PRINT OUT THE SLIDES.

Slide 3 - IMPORTANT UPDATE FROM GAQC.

OMB released the 2019 Supplement on July 1, 2019, which was after this event was originally broadcast. However, as noted in [GAQC Alert #387](#), the OMB issued a correction edition of the 2019 Supplement on September 20, 2019 (referred to as the August 2019 edition), which replaced the previously released 2019 Supplement (referred to as the June 2019 edition). The August 2019 edition was necessary due to a significant number of errors that had been identified. As a public service, the GAQC has posted the August 2019 edition broken down by individual section on the [GAQC 2019 OMB Compliance Supplement Web page](#). The sections included on this Web page were excerpted from the [full PDF file posted on the OMB Web site](#).

Further, on October 18, 2019, the Federal Audit Clearinghouse sent an e-mail on behalf of OMB to every auditor and auditee of record to clarify the effect of the August 2019 edition on audits that were already submitted to the FAC, as well as audits near completion. The e-mail instructed auditors as follows for single audits subject to the 2019 Supplement (i.e., audits of fiscal years beginning after June 30, 2018):

- Auditors are permitted to perform the audit using either the June 2019 or August 2019 edition of the Supplement for reports dated on or before October 31, 2019.
- Auditors are required to perform the audit using the August 2019 edition for reports dated after October 31, 2019.
- A request is made for auditors to document the version of the Supplement used for the audit.

If you have questions about the e-mail or the corrected edition of the 2019 Supplement, contact the relevant agency National Single Audit Coordinator (NSAC) using the contact information found in [Appendix III of the Supplement](#).

Finally, read [GAQC Alert #390](#) for more information about the above-described FAC e-mail and a series of questions and answers from the GAQC on the implications of the e-mail.

Slide 8 – IMPORTANT UPDATE FROM GAQC.

Note that OMB released the 2019 Supplement on July 1, 2019, which was after this event was originally broadcast. See the GAQC Update above to slide 3 for important information relating to a correction to the Supplement made by OMB and related repercussions.

Slide 10 –IMPORTANT UPDATE FROM GAQC.

Due to an unprecedented number of errors in June 2019 edition of the Supplement released in early July, as noted in GAQC Alert #387, the OMB issued a correction edition of the 2019 Supplement on September 20, 2019 (the August 2019 edition. See the GAQC Update above to slide 3 for important information relating to a correction to the Supplement made by OMB and related repercussions.

Slide 11 –IMPORTANT UPDATE FROM GAQC.

Now that OMB has issued the 2019 Supplement, GAQC has removed the draft matrix that had previously been posted when this event was originally broadcast. When you click on the [2019 GAQC OMB Compliance Supplement Web page link](#) now, you will access the August 2019 edition.

Slide 20 – IMPORTANT UPDATE FROM GAQC.

As noted on this slide, the safe harbor language in the final 2019 Supplement was changed to replace the concept of “applicable” and “normally not applicable” with “subject to audit” and “not subject to audit” and it includes a reminder about compliance responsibilities under GAAS and the Yellow Book.

Additionally, OMB did accept the AICPA’s suggested language for additional provisions of federal awards and updating requirements in the Supplement. Thus, Part 1 does include wording clarifying that responsibilities run to provisions of federal awards or compliance requirements identified as subject to audit.

Slide 22 – IMPORTANT UPDATE FROM GAQC.

Now that OMB has issued the 2019 Supplement, GAQC has removed the draft matrix that had previously been posted when this event was originally broadcast. When you click on the [2019 GAQC OMB Compliance Supplement Web page link](#) now, you will access the August 2019 edition.

Slide 29 – IMPORTANT UPDATE FROM GAQC.

After consulting with representatives of the AICPA auditing standards team we have determined that a change to the reports is not needed. The GAQC has worked with the auditing standards team to develop [several nonauthoritative TQAs](#) that provide background information on the revisions made in the 2019 Supplement and discuss whether an auditor may provide an opinion on compliance if the Supplement excludes certain direct and material types of compliance requirements from the scope of the audit, whether the Supplement’s change of approach requires the auditor to revise the report on compliance, and whether an auditor may include an other-matter paragraph in the report to communicate information about the change to the Supplement.

The TQAs are now available on the [TQA section of the auditing standards Web page](#) and are numbered 9100.24 - .27.

Slide 34 – IMPORTANT UPDATE FROM GAQC.

The section on NDAA and findings reporting was updated to reflect the wording on this slide for the 2018 NDAA. However, it also included similar guidance relating to the 2017 NDAA which is not reflected on this slide. That is, as it relates to NDAA 2017, auditors are not expected to develop audit findings for covered entities that have implemented increased purchase thresholds after December 23, 2016, as long as the entity documented the decision in its internal procurement policies.

Slide 38 – IMPORTANT UPDATE FROM GAQC.

Part 4 of the June 2019 edition of the Supplement also contained errors. For example, some of the matrices included in the individual program sections in Part 4 did not match the matrix in Part 2. We are also aware of programs where requirements with a Y are not included in the program section, as well as programs with a N where the requirements are included. There were also issues with some of the cross-cutting sections. As noted in the GAQC Update to slide 3 above, OMB issued the August 2019 edition to correct errors. If you note additional errors in the August 2019 edition, contact the relevant agency National Single Audit Coordinator (NSAC) using the contact information found in [Appendix III of the Supplement](#).

Slide 42 (SFA) – IMPORTANT UPDATE FROM GAQC.

Everything on this slide is still correct. However, you should note that that the August 2019 edition of the Supplement had significant changes made to the entire program. A particular focus area for auditors should be changes made to the required communication on sampling relating to Pell grants and Direct Loan program which broadens the communication requirement to all sampling procedures (regardless of whether there are findings) and has the auditor sending the information to Education via e-mail instead of as part of the Schedule of Findings and Questioned Costs.

Slide 46 – IMPORTANT UPDATE FROM GAQC.

The August 2019 edition of the Supplement corrected several errors in the illustrative controls that appeared in Appendix 2 of Part 6 in the June 2019 edition of the Supplement.

Slide 56 – Question: IMPORTANT UPDATE FROM GAQC.

Note that OMB released the 2019 Supplement on July 1, 2019, which was after this event was originally broadcast. See the GAQC Update above to slide 3 for important information relating to a correction to the Supplement made by OMB and related repercussions.

Slide 58 – IMPORTANT UPDATE FROM GAQC.

Note that the guide is now available for purchase at www.aicpastore.com. We have also posted certain illustrative report illustration excerpts from this Guide on the GAQC Web site at <https://www.aicpa.org/interestareas/governmentalauditquality/resources/illustrativeauditorsreports.html>.



Slide 61: **IMPORTANT UPDATE FROM GAQC.** Is the GAQC event on the Data Collection Form archive available for viewing?

Answer: You can now access the archive of the GAQC event on the Data Collection Form [on the GAQC Archived Member Web Events \(Single Audits\) page](#).