



## February 2024

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### February Peer Review Board Meeting Update

On February 7, the Peer Review Board (PRB) met and discussed various topics including:

- An overview of survey results obtained by the Auditing Standards Board (ASB) from surveys conducted and table talks held at the 2023 Peer Review Conference.
  - A similar version of the presentation can be found as part of the meeting materials for the [October 2023 ASB meeting](#).
- A brainstorming session on how to increase the number of qualified individuals applying for the PRB in 2024.
  - If interested in applying or know someone that would be a good candidate, please contact Peer Review Staff at [prptechnical@aicpa.org](mailto:prptechnical@aicpa.org) for more information.
- Task force activity such as reviewer pool initiatives, responses to the Peer Review Standards Update No. 2 exposure draft, and various oversight activities.

### *Meeting Highlights*

Summaries of other items discussed are included in the meeting highlights which will be available shortly on the AICPA's peer review web site. Any questions about the meeting highlights can be directed to [Peer Review Staff](#).

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## Governmental articles

### 2024 Yellow Book Released!

On February 1, 2024, the U.S. Government Accountability Office (GAO) released its highly anticipated revision of *Government Auditing Standards*, also referred to as GAGAS or the Yellow Book. The changes reflect a change in approach to quality management and a risk-based process for achieving the objectives of quality management. The changes also incorporate extensive input and feedback from members of the Yellow Book Advisory Council, including experts from federal, state, and local governments; the private sector; and academia. Of particular interest to peer reviewers is external peer review, and no changes to the External Peer Review section were proposed.

“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,” said Gene Dodaro, Comptroller General of the United States and GAO head. “Implementation of these standards leads to greater accountability of government spending and improved services and operations.”

### Effective Date

The new standards are effective for financial audits, attestation engagements, and reviews of financial statements for periods beginning on or after December 15, 2025, and for performance audits beginning on or after December 15, 2025. A system of quality management that complies with the Yellow Book is required to be designed and implemented by December 15, 2025. An audit organization should complete its evaluation of the system of quality management by December 15, 2026. Early implementation is permitted.

### 2024 Yellow Book Resources

Please refer to [GAO's Yellow Book web page](#) for an electronic version of the 2024 Yellow Book and to learn more about the new standard.

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## Engagements under *Government Auditing Standards* FAQs

What follows is a listing of questions submitted to AICPA Peer Review staff and related answers that are most pertinent to reviewers of engagements subject to *Government Auditing Standards* (also referred to as the Yellow Book and GAGAS).

### **Performance Audits**

**Which engagement checklist supplements should a reviewer complete for performance audits?**

While currently the AICPA Peer Review Program (program) does not have a customized checklist to address performance audits under the Yellow Book, PRP section 22,110, *Supplemental Checklist for Review of Audit Engagements Performed in Accordance With Government Auditing Standards (Yellow Book) 2018 Revision*, and PRP section 4,400, *Supplemental Guidelines for Review of Quality Control Policies and Procedures for Engagements Performed in Accordance With Government Auditing Standards (Yellow Book) 2018 Revision*, are intended to address audits under the Yellow Book.

As a viable option, if you need additional guidance or a checklist to review a performance audit conducted under the Yellow Book, you may want to refer to the Checklist for Review of Performance Audits Performed by the Office of Inspector General, [Appendix E- Checklist for Performance Audits Performed by the OIG February 2023](#). You may use this checklist as a tool but follow all appropriate program guidance, including evaluation of non-compliance matters and

advance notification to the administering entity for use of alternate materials as required in paragraph .38 of PR-C section 100.

If the review team selected a performance audit, does the review team need to select one of the firm's Yellow Book financial statement audits performed to achieve appropriate must-select coverage?

Yes. If the selection only covered the performance audit, the review team would still need to select one of the financial statement audits performed under the Yellow Book to achieve appropriate selection coverage for the review, if any. Appendix C of PR-C section 210, *General Principles and Responsibilities for Reviewers — System Reviews*, states: "If a firm performs the financial statement audit of one or more entities subject to GAS, at least one such audit engagement should be selected for review."

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### **Single Audits**

Should a program automatically be audited as a major program when COVID-19 funding was received, regardless of amount?

It is possible that the program would be audited as a major program, but it depends on the facts and circumstances. For example, if a Type A COVID-19 or infrastructure program is new to an entity in the current year, it must be audited as a major program in the current year because it was not audited in one of the prior two years. The *Office of Management and Budget (OMB) Compliance Supplement* also identifies several COVID-19, infrastructure, and other programs as "higher risk" in Appendix IV, "Internal Reference Tables," and provides related guidance for auditors that generally will result in "higher risk" Type A programs being audited as major unless certain criteria in Appendix IV are met. For higher risk type B programs and other clusters, Appendix IV provides that the "higher risk" identification must be considered with other factors in 2 CFR 200.519.

Does the auditor have to go through the risk assessment for a program designed by OMB as "higher-risk" or could a firm just document as high-risk?

The Uniform Guidance states that the auditor must include in the audit documentation the risk analysis process used in determining major programs (2 CFR 200.518(g)). Therefore, it is necessary for the auditor to develop adequate audit documentation as required by generally accepted auditing standards (GAAS) and the Yellow Book, which includes documentation supporting the determination of major programs. Additionally, Appendix IV, "Internal Reference Tables," of the *OMB Compliance Supplement* states that auditors should prepare audit documentation supporting the risk considerations and conclusions for "higher-risk" programs.

For more information on the audit documentation requirements of GAAS and the Yellow Book, refer to Chapter 3, "Planning and Performing a Financial Statement Audit in Accordance With Government Auditing Standards," and Chapter 6, "Auditor Planning Considerations Under the Uniform Guidance," of the AICPA Audit Guide, *Government Auditing Standards and Single Audits*.

Are for-profit entities with \$750,000 or more in Economic Injury Disaster Loans (EIDL) subject to a single audit?

No. The Sam.gov web page for Assistance Listing number 59.008 states that only non-federal entities will need to have a single or a program-specific audit. As per the Uniform Guidance, the term non-federal entity does not include for-profit entities (see 2 CFR 200.1).

When a not-for-profit organization receives Coronavirus State and Local Fiscal Recovery Funds as a beneficiary from a government, should that be included in the Schedule of Expenditures of Federal Awards of the not-for-profit organization?

If the client is a beneficiary, Coronavirus State and Local Fiscal Recovery Funds (CSLFRF) funding would not be included in the Schedule of Expenditures of Federal Awards (SEFA). While the Uniform Guidance defines “beneficiary” as an individual, the U.S. Department of the Treasury (Treasury) has defined “beneficiary” as an individual or an entity for Coronavirus Relief Funds (CRF) and CSLFRF (see the [Final Rule](#) from Treasury). Funding provided to beneficiaries is not subject to audit pursuant to the Single Audit Act and the Uniform Guidance and there would be no SEFA inclusion of CRF or CSLFRF amounts received as a beneficiary (see 2 CFR 200.1).

When you include the "schedule of prior audit findings" in a single audit, is it appropriate to emphasize that in the "other matters" of the SAS 134 report?

Since the schedule of prior audit findings is prepared by the auditee, it would likely not be appropriate to reference it as an other matter. As a best practice, auditees should consider including the summary schedule of prior audit findings on their letterhead. 2 CFR 200.511(a) states: “The auditee is responsible for follow-up and corrective action on all audit findings. As part of this responsibility, the auditee must prepare a summary schedule of prior audit findings. The auditee must also prepare a corrective action plan for current year audit findings. The summary schedule of prior audit findings and the corrective action plan must include the reference numbers the auditor assigns to audit findings under 2 CFR 200.516(c). Since the summary schedule may include audit findings from multiple years, it must include the fiscal year in which the finding initially occurred. The corrective action plan and summary schedule of prior audit findings must include findings relating to the financial statements which are required to be reported in accordance with GAGAS.”

The peer review report and firm representation letter refer to the single audit for a for-profit entity as a “compliance audit under the Single Audit Act,” is this referencing appropriate for an entity that is not required to complete and submit the Data Collection Form to the Federal Audit Clearinghouse?

If the single audit was performed when it was required under the Uniform Guidance, the Required Selections and Considerations paragraph of the “Report on the Firm’s System of Quality Control,” and representation letter should refer to the single audit as a “compliance audit under the Single Audit Act.”

2 CFR 200.101 of Subpart B of the Uniform Guidance states that federal agencies may apply Subparts A through E to for-profit entities except where the federal awarding agency determines that the application of these subparts would be inconsistent with the international responsibilities of the United States or the statutes or regulations of a foreign government. In this guidance, there is no mention of the audit requirements in Subpart F being applicable to these entities. However, as it relates to for-profit entities, some federal agencies have made provisions for audits of for-profit entities within their implementing regulations for the Uniform Guidance. For example, the U.S. Department of Health and Human Services indicates that commercial organizations would be subject to the single audit requirements, or a financial audit performed under the Yellow Book, if they triggered the audit threshold (45 CFR 75.216 and 75.501).

If a for-profit entity performed a financial statement audit under GAAS to meet the U.S. Small Business Association audit requirements, what level of service should the firm select in PRIMA? When a for-profit entity met the \$750,000 threshold and selected the financial statement audit conducted in accordance with GAAS as an acceptable alternative for submission, it should be

classified as “Audits Under Statements on Auditing Standards” (level of service code 9) for peer review purposes within PRIMA.

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### **2018 Yellow Book**

What exactly is required related to the 2018 Yellow Book continuing professional education requirements?

Here are some things to consider as you perform your upcoming peer reviews. Auditors who plan, direct, perform engagement procedures for, or report on an engagement conducted in accordance with GAGAS are required to comply with GAGAS continuing professional education (CPE) requirements. Additionally, the 2018 Yellow Book states that the auditor must assign auditors with the competence needed to conduct the engagement in accordance with GAGAS. Competence is the knowledge, skills, and abilities obtained from education and experience necessary to conduct the GAGAS engagement. A sampling of the competence and CPE requirements for a Yellow Book practice you should keep in mind include:

- *Paragraph 4.02:* Auditors must assign auditors to conduct the engagement who *before beginning work on the engagement* collectively possess the competence needed to address the engagement objectives and perform their work in accordance with GAGAS.
- *Paragraph 4.03:* Auditors must assign auditors who possess the competence needed for their assigned roles *before beginning work on the engagement*.
  - Indicators of competence include technical knowledge and skills in areas such as GAGAS, standards, regulations, techniques, tools, and guidance; and competence for assigned roles (e.g., supervisory auditor, partner) (GAS paragraphs 4.07- 4.10).
- *Paragraph 4.16:* Auditors who plan, direct, perform engagement procedures for, or report on the engagement conducted in accordance with GAGAS should develop and maintain their professional competence by completing at least 80 hours of CPE in every two-year period, including at least 24 hours in subject matter directly related to the environment in which the audited entity operates.
  - Determining whether CPE qualifies for the 24-hour requirement is a matter of professional judgement (GAS paragraph 4.21).
  - Auditors hired or assigned to a GAGAS engagement after the beginning of the 2-year CPE period may complete a prorated number of CPE hours (GAS paragraphs 4.42 and 4.43).
- *Paragraph 5.16:* The audit organization should establish policies and procedures to provide reasonable assurance that auditors who are performing work in accordance with GAGAS meet the CPE requirements, including maintaining documentation of the CPE completed and any exemptions granted.

### Exceptions from the CPE requirements

There are several exceptions to these requirements. For example, GAS paragraph 4.25 indicates that auditors who charge less than 20% of their time annually to GAGAS engagements and are only involved in performing engagement procedures (i.e., not involved in planning, directing, or reporting) may be exempted from the 56-hour CPE requirement but not the 24-hour requirement. Additionally, GAS paragraph 4.26 provides an exception from the CPE requirements for nonsupervisory auditors who charge less than 40 hours of their time annually to GAGAS engagements.

### Reviewer considerations when the engagement team does not meet CPE requirements

If a firm is performing governmental engagements and the required personnel did not complete the CPE required by the 2018 Yellow Book, the peer reviewer should strongly consider whether the engagement is nonconforming for AICPA peer review purposes. Additionally, you should use professional judgement when considering if the matter should be elevated to a finding, deficiency, or significant deficiency. This requires the consideration of several factors, including:

- an understanding of the firm's system of quality control;
- the nature, systemic causes, pattern, and pervasiveness of matters identified in the review, and their relative importance to the firm's quality control system taken as a whole; and
- limitations on the scope of the review, if any.

The application guidance provided in paragraphs 4.19 through 4.53 of the [2018 Yellow Book](#) can be useful in assisting you to determine if the firm met the requirements required.

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### **GAQC resources and tools for Reviewers and Auditors**

The Governmental Audit Quality Center (GAQC) has developed resources that can assist you in reviewing and performing engagements under *Government Auditing Standards* and single audits and to share with auditors, as applicable. These resources include, but are not limited to:

- [GAQC: Archived Web Events](#)
  - GAQC 2024 Single Audit Lightning Round
  - New GSA Federal Audit Clearinghouse and Related Auditor Tips
  - Tackling Internal Control Over Compliance in a Single Audit
  - Smart Sampling in a Single Audit
  - Independence in Yellow Book Audits and Other Ethics Related Updates
- [Governmental Illustrative Auditor's Reports](#)
- [Illustrative UG auditor's reports for a program-specific audit](#)
- [OMB Compliance Supplement Resource Center](#)
- [Single Audit Resources](#)
- [GAQC Archived COVID-19 Resources](#)

We encourage you to periodically check the [GAQC Resources page](#) to access any new resources added.

### **AICPA and NASACT Survey**

The AICPA and the National Association of State Auditors, Comptrollers, and Treasurers (NASACT) joined forces to address the challenges around CPA resources within state and local governments (SLG) and the CPA firms that audit them. The joint working group developed a survey to better understand the barriers, opportunities, and best practices relevant to this topic. We strongly encourage firms that practice in the SLG area to participate in this [survey](#) and ask that you consider sharing it with your SLG clients. Watch out for a future update on this project, which is expected to result in an issues paper with detailed findings and recommendations.

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## Save the Dates for A&A Focus

We've scheduled our new, monthly one-CPE hour A&A Focus broadcasts through the end of 2024. These events are free for AICPA members.

Each month we highlight news and topics critical to accounting, auditing, and assurance practitioners, provide member-only resources, and curate additional information.

With your registration you will also receive our monthly recap via email. Our newsletter will provide you with more information on the topics discussed, related resources and a look ahead to the next event.

Visit [aicpa-cima.com/AAFocus](https://aicpa-cima.com/AAFocus) for more information and to register, as well gain access to non-CPE granting replays of past events and highlighted resources. Registration is free for AICPA members, and you only have to register for one event. Your single registration will grant you access to all remaining broadcasts.

- [March 6, 2024 – 1-2pm ET](#)
- [April 3, 2024 – 1-2pm ET](#)
- [May 8, 2024 – 1-2pm ET](#)
- June 12, 2024 – 1-2pm ET
- July 10, 2024 – 1-2pm ET
- August 7, 2024 – 1-2pm ET
- September 4, 2024 – 1-2pm ET
- October 2, 2024 – 1-2pm ET
- November 13, 2024 – 1-2pm ET
- December 11, 2024 – 1-2pm ET

Have questions or topics to suggest? Email [A&AFocus@aicpa-cima.com](mailto:A&AFocus@aicpa-cima.com).

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## Quick Hits

Reminder #1: Quality Management (QM) Standards Resources, including Practice Aids Now Available!

[Our free, robust practice aid](#) will guide your peer review clients in moving their firm to a QM system as required by the AICPA's new standards. The interactive guide and accompanying Example Risk Assessment template enable them to tailor their QM system to meet their firm's needs and circumstances for its A&A practice. Download these tools and send them to your peer review clients so they can start their implementation today.

Visit [aicpa-cima.com/auditqm](https://aicpa-cima.com/auditqm) to find the latest resources and [webcasts](#) that will help firms move from a quality control system to a quality management system.

Additionally, check out [peer review's firm QM toolkit](#) that you can provide (or use for your own firm's implementation efforts) to your peer review clients to help them get started!



### Reminder #2: Update Your Resume to Attract Potential Peer Review Clients!

In our November Reviewer Alert, we let you know that you could, beginning in December, indicate on your reviewer resume whether or not you are willing to take on new peer review clients. Once a sufficient number of reviewers have answered the question, we will update the reviewer search to give firms and others the ability to filter the search results for those reviewers that have responded affirmatively to that question. We are hopeful that this information will direct calls away from peer reviewers who can't accept new clients to those who can. The sooner you update your resume, the sooner we can make that happen!

### Changes to EAQ Courses Required by Report Acceptance Bodies

Please note that the following courses are replacing existing courses that RABs should assign related to Enhancing Audit Quality (EAQ) select focus areas as corrective actions or implementation plans:

- Risk Assessment - [Applying and Scaling Audit Risk Assessment Procedures Under SAS No. 145](#)
- Understanding the entity, including internal control - [The Crucial Connection - Why You Should Care About Your Client's System of Internal Control](#)

See the related [peer review web page](#) for more information!

### Identifying and Writing Systemic Causes – On-Demand Course Now Available!

If you happened to miss the Peer Review Identifying and Writing Systemic Causes webcast, held in December, don't worry! An on-demand version is now available!

Join us as we walk through the root cause analysis process within a peer review setting and learn what you can do to prepare for your next peer review. You will learn about the most common challenges when writing findings and deficiencies with a systemic orientation and how you can avoid them. Also, find out about effective interviewing techniques for determining the systemic cause of matters identified. Featuring detail-rich examples and scenarios to assist you in applying proven techniques to identify the systemic cause during your peer reviews.

Refer to [Peer Review Identifying and Writing Systemic Causes](#) to register today!

Additionally, you can access our [guide for writing deficiencies \(and significant deficiencies\)](#) for examples and other relevant information when drafting a non-pass peer review report.

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