



GASB and Single Audit Update

Learning Objectives

At the end of this section, you will be able to:

- Be aware of Governmental Accounting Standards Board Statements that are required to be implemented beginning FYE 09/30/15
- Review current Exposure Drafts that could potentially translate into new standards to be implemented in the future
- Review requirements under Uniform Grant Guidance

Effective Dates – Years beginning after

- **June 15, 2013 (June 30, 2014)**
 - Statement 67 – *Financial Reporting for Pension Plans - an amendment of GASB Statement No 25*
 - Statement 70 - *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
- **December 15, 2013 (December 31, 2014)**
 - Statement 69 - *Government Combinations and Disposals of Government Operations*

Effective Dates – Years beginning after

- **June 15, 2014 (June 30, 2015)**
 - Statement 68 – *Accounting and Financial Reporting for Pension Plans - an amendment of GASB Statement No 27*
 - Statement 71 - *Pension Transition for Contributions Made Subsequent to Measurement Date - an amendment of GASB Statement No. 68*
- **June 15, 2015 (June 30, 2016)**
 - Statement 72 – *Fair Value Measurement and Application*

GASB 67

Financial Reporting for Pension Plans

- Replaces previous guidance under GASB No. 25, *Financial Reporting for Defined Pension Plans and Note Disclosures*
- Establishes financial reporting standards for pension plans administered through trusts in which:
 - Contributions to the plans and related earnings are irrevocable
 - Plan assets are dedicated to providing pensions to plan members in accordance with benefit terms
 - Plan assets are legally protected from creditors of employers, nonemployer contributing entities and plan administrators
- Applicable for defined benefit plans and defined contribution plans
- **Does not include OPEB plans**

GASB 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees

- Scope and Applicability
 - Government provides a financial guarantee as a nonexchange transaction
 - Government receives a financial guarantee as a nonexchange transaction
 - Key considerations
 - Three legally separate entities (component units qualify)
 - ◇ Not deemed guarantees for this statement
 - Withholding or garnishing revenues
 - Pledges of future revenues
 - Joint-and-several obligations

GASB 69 – Government Combinations and Disposal of Government Operations

- Scope and Applicability
 - Establishes standards for government combinations and disposals of government operations
 - ◇ Government merger; acquisition; transfer of operations
- Transactions
 - Combinations of legally separate entities
 - ◇ NFP, For profit, government (new or continuing government is formed)
 - Mergers and acquisition of activities less than the entire legally separate entity
 - “Operations” – integrated set of activities conducted and managed for the purpose of providing identifiable services with associated assets and liabilities

GASB 69 – Government Combinations and Disposal of Government Operations

Scope and Applicability (cont.)

- Disposal of “operations”
- Statement does not apply to:
 - Assets and liabilities not considered an operation
 - Organizations that remain legally separate (GASB 14)
 - Equity interests in an organization (GASB 14)

GASB 71 – Pension Transition for Contr. Made Subsequent to the Measurement Date

- GASB 68 requires:
 - Recognition of a net pension liability measured as of a date no earlier than the end of its prior fiscal year
 - ◇ If a contribution is made between the measurement date and the end of the reporting period, its recognized as a deferred outflow of resources
 - Recognition of deferred outflows and inflows of resources for other pension-related events
 - ◇ Differences arising between expected and actual experience in relation to economic and/or demographic factors
 - ◇ Effects of changes of assumptions about future economic or demographic factors
 - ◇ Differences between projected and actual investment earnings

GASB 71 – Pension Transition for Contr. Made Subsequent to the Measurement Date

- At transition, if it's not practical to determine the amounts of all deferred inflows and outflows of resources related to pensions, no beginning balances for deferred inflows and outflows be reported
- Potential for significant misstatement of beginning net position and subsequent expense in accrual based statements if the employer does not recognize its contributions made after the measurement date of the beginning net pension liability as deferred outflows of resources at transition

GASB No.72 Fair Value Measurement and Application

- Effective for periods beginning after June 15, 2015 (June 30, 2016 and December 31, 2016)
- Fair value – the price that would be received to sell an asset or paid to transfer a liability
- Investment – security or other asset that
 - A) a government holds primarily for the purpose of income or profit, and
 - B) has a present service capacity based on its ability to generate cash

GASB No. 72

- Valuation approaches:
 - Market
 - Cost
 - Income
- Valuation techniques - three levels
 - Observable vs unobservable inputs
 - Apply consistently with some exceptions:
 - ◇ New markets develop
 - ◇ New information becomes available
 - ◇ Information previously used is no longer available
 - ◇ Valuation techniques improve
 - ◇ Market conditions change



Current GASB Projects

Exposure Drafts

- Postemployment Benefit Accounting and Financial Reporting
- GAAP Hierarchy
- Tax Abatement Disclosures

Postemployment Benefit Accounting and Financial Reporting

- Current stage: exposure draft redeliberations
- Three separate exposure drafts
 - Employer
 - Plan
 - Pension plans without a trust
- Record liability immediately
- Final statements expected June 2015

GAAP Hierarchy

- Current stage: comment period ended December 31, 2014
- Issues being considered:
 - Should categories be reduced to two levels?
 - ◇ Implementation Guides (Q&As)
 - ◇ AICPA pronouncements
 - ◇ GASB Technical Bulletins
 - Should the FASB Accounting Standards Codification be added as “other accounting literature”?
- Final statement expected 2nd quarter of 2015

Tax Abatement Disclosures

- Current stage: comment period ended January 30, 2015
- Tax abatement – reduction of or exemption from taxes offered under an agreement between the government and a specific taxpayer
- Final statement expected 3rd quarter of 2015

Preliminary Views

- Fiduciary Responsibilities
- Leases

Fiduciary Responsibilities

- Current stage: preliminary views comment period
- Develop guidance regarding the application of *fiduciary responsibility* criterion
- Other objectives:
 - Clarify the difference between a private-purpose trust fund and an agency fund
 - Clarify whether a business-type activity engaging in fiduciary activities should present fiduciary fund financial statements
 - Consider requiring a combining statement of changes in assets and liabilities for agency funds

Leases

- Current stage: preliminary views comment period
- Does an operating lease meet the definition of an asset or liability?
- Leases > 1 year would be placed on the balance sheet

Leases (*continued*)

- Lessee accounting:
 - ◇ Intangible asset for right to use the leased asset
 - ◇ Liability for lease payments
 - ◇ Amortization expense for recognizing the asset amount over the term of the lease
 - ◇ Interest expense related to lease liability
- Lessor accounting:
 - ◇ Receivable for the right to receive payments
 - ◇ Deferred inflow to reflect resources related to future periods
 - ◇ Lease revenue over the term of the lease
 - ◇ Interest revenue related to lease receivable

Other Projects

- Asset Retirement Obligations
- External Investment Pools
- Irrevocable Charitable Trusts
- Financial Reporting Model

GASB Resources and Feedback

- Website:
<http://gasb.org/>
- Respond during comment periods
 - GFOA
 - NASBA

Uniform Guidance

- The Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards – referred to as the “Omni Circular” or “Super Circular”
- Consolidated and streamlines eight previous federal regulations into comprehensive guidance codified at 2 CFR Part 200 (Subparts A – F)

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Effective Dates

- New Guidance took effect on December 26, 2013
- Administrative requirements and cost principles apply to new awards and to additional funding to existing awards made after December 26, 2014
- Existing federal awards will continue to be governed by the terms and conditions of the federal award
- Subpart F, Audit Requirements, will apply to audits of the fiscal years of non-federal entities that begin on or after December 26, 2014.



Procurement

Procurement

- Expanded from current administrative requirements
- New provision covering conflict of interest with parent, affiliate, or subsidiary organizations
- Procurement records must be maintained sufficiently to detail the history of all procurements, not just those over small purchase threshold
- New provision on time and material contracts
- Competition is stressed

Procurement

- Five methods allowed:
 1. Procurement by micro-purchase (< \$3,000)
 2. Procurement by small purchase (>\$3,000, < \$150,000)
 3. Procurement by sealed bids (formal advertising)
 4. Procurement by competitive proposal
 5. Procurement by noncompetitive proposal

- Must take all necessary affirmative steps to assure that minority businesses, women's business enterprises, and labor surplus area firms are used when possible (not just "positive efforts.. whenever possible")

Procurement

- Cost or price analysis required only when purchase in excess of Simplified Acquisition Threshold (currently at \$150,000)
- Profit must be negotiated as a separate element of price when:
 - No there is no price competition
 - Contract is in excess of Simplified Acquisition Threshold
- Process for pre-procurement review by awarding agency or pass-through entity



Indirect Cost Rates

Indirect Costs

- Federal agencies must accept negotiated indirect cost rates
- Exceptions in limited circumstances:
 - Pursuant to statute or regulation
 - Head of the agency approves it based on publicly documented justification.
- Requires pass-through entities to honor an organization's negotiated indirect cost rate or negotiate a rate.

Indirect Costs

- Entities with an approved federally negotiated indirect cost rate can now apply for a one-time extension of up to four years without further negotiation.
- Can only use one-time extension if there have been no major changes to indirect costs and approval from the cognizant agency is received
- If approved, entity may not request a review of the rate until extension period is up

Indirect Costs

- Non-federal entities that have never had a negotiated indirect cost rate may use a de minimus rate of 10 percent of modified total direct costs.
- Must use consistently on all awards until rate is negotiated, which entity may do at any time



Time and Effort Reporting

Time and Effort Reporting

- Final guidance allows for alternatives to the current reporting requirements
- Guidance is less prescriptive on documentation and places more emphasis on internal control
- Changes made by OMB aimed at reducing the administrative burden of documenting time and effort

Time and Effort Reporting - Current

Governmental Organizations

- A-87 previously required detailed time records
- Specific support for salaries and wages included:
 - After-the-fact determination (budget estimates do not qualify),
 - must account for total activity of employee;
 - if employee works 100% in one cost objective a semi-annual time certification is required, which can be signed by either employee or knowledgeable supervisor;
 - if employee works in more than one cost objective a personnel activity report must be prepared on at least a monthly basis signed by employee.

Time and Effort Reporting

- Charges must be based on records that accurately reflect the work performed and must:
 - Be supported by a system of internal controls which provides reasonable assurance that the charges are accurate, allowable and properly allocated
 - Reasonably reflect the total activity for which the employee is compensated by the non-federal entity, not exceeding 100% of compensated activities
 - Comply with the established accounting policies and practices of the non-federal entity
 - Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one federal award

Time and Effort Reporting

- Budget estimates (estimates determined before services performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
 - System for estimating must produce “reasonable approximations” of activity actually performed;
 - Significant changes in work activity (as defined in written policies) are identified and entered into records timely.
 - Must be a process to review the charges made based on budget and adjustments after the fact so that “the final amount charged to the Federal award is accurate, allowable, and properly allocated.”

Time and Effort Reporting

- When records do not meet the standards, federal government may require personnel activity reports, including prescribed certifications, or equivalent documentation
- Guidance allows entities to replace detailed time-and-effort reports with performance-based reporting that is based on milestones.
 - The appropriate agency will have to approve the use of such an approach
 - Entities could use performance-based metrics to account for multiple awards



Grant Management Best Practices

Examples

- Reporting – Increased Emphasis on Performance & Outcome-Based Reporting
 - Understand all new reporting requirements under UGG, if any
 - Have a standardized process for preparing these reports
 - Have a designated reviewer and retain documentation of this review
- Allowable Costs – Increased Emphasis on Internal Controls
 - Ensure payments are approved for payment by a knowledgeable individual?
 - Is supporting documentation compared to a list of allowable and unallowable expenditures?

Examples

- Sub-Recipient Monitoring – Increased Emphasis on Active Monitoring Procedures
 - Consider utilizing a standardized checklist that all departments must adhere to (see sample checklist at www.claconnect.com)
 - Ensure a robust risk assessment process is being performed for all sub-recipients
 - Consider need to perform on-site reviews and other specific monitoring activities based on risk assessment results

Questions?



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