



CITY AND COUNTY OF
SAN FRANCISCO

BRIDGING THE GAP

UNDERSTANDING THE
UNIFORM GUIDANCE
& NONPROFIT UPDATE

PRESENTED BY

Katherine V. Lai

Assurance Leader

Mark Tillotson

Nonprofit Industry Leader

August 31, 2015

mgo

Agenda

Understanding the Uniform Guidance

Katherine V. Lai, Assurance Leader, MGO

Mark Tillotson, Nonprofit Industry Leader, MGO

- Background and Overview
- Subpart D – Administrative Principles
- Subpart E – Cost Principles
- Subpart F – Audit Requirements



KATHERINE V. LAI, CPA

Assurance Leader

Nonprofit Update

Mark Tillotson, Nonprofit Industry Leader, MGO

- The State of Nonprofits
- Audit Issues and Developments
- Accounting Issues and Developments
- NFP Financial Statements



MARK TILLOTSON, CPA

Nonprofit Industry Leader

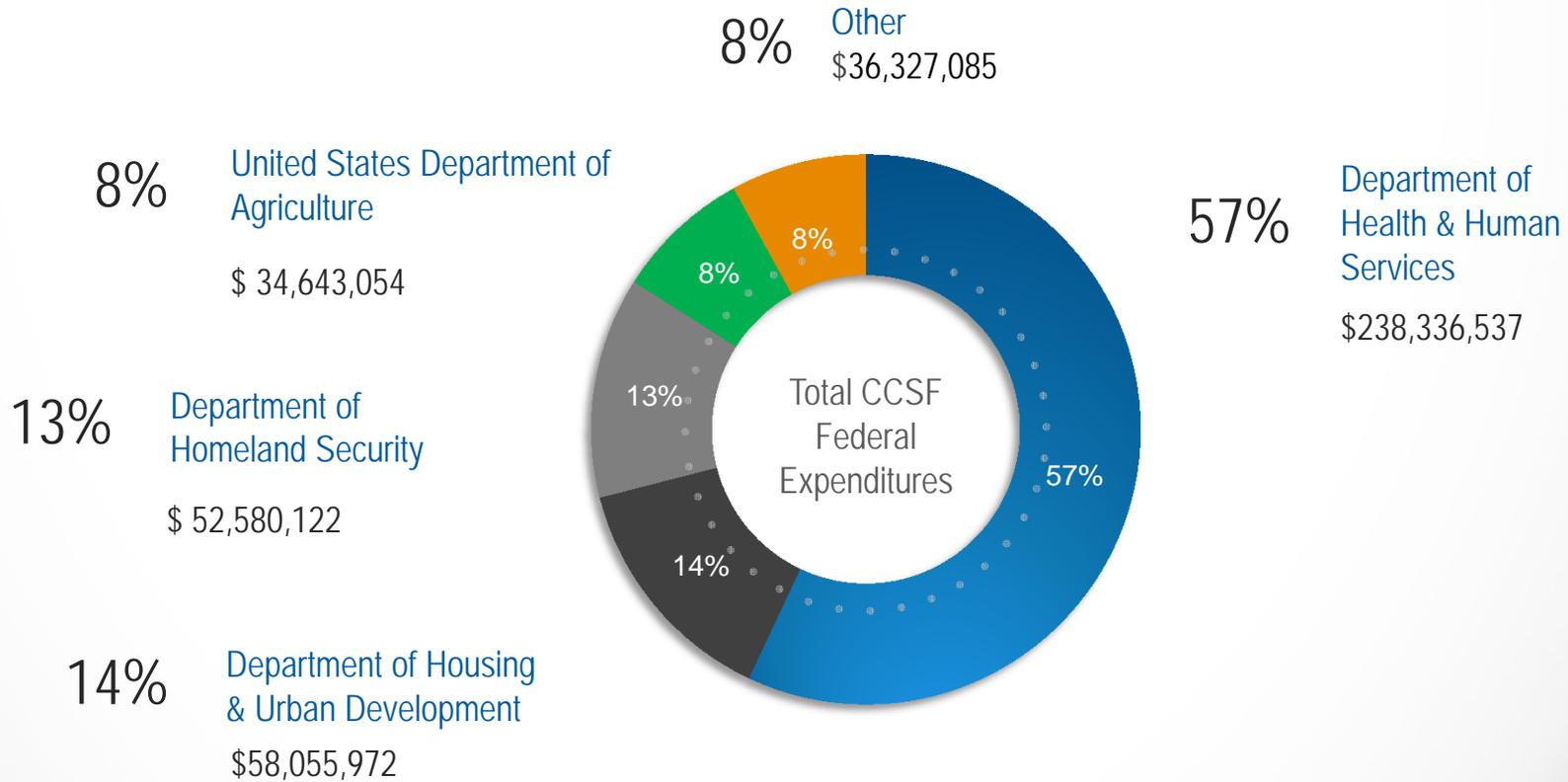
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Understanding The Uniform Guidance

AN OVERVIEW OF THE KEY ELEMENTS

The logo for meo, consisting of the lowercase letters 'meo' in a bold, blue, sans-serif font. The background of the slide is split into two vertical panels: a light blue gradient on the left and a dark blue textured pattern on the right.

Federal Expenditures



Total Federal Expenditures: \$419,942,770

BRIDGING THE GAP

Background

A VIEW FROM THE BRIDGE

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Introducing COFAR

TWO-YEAR TERM:
Department of State, FY 14-16

For more information visit:
<https://cfo.gov/cofar/>





UNIFORM GUIDANCE



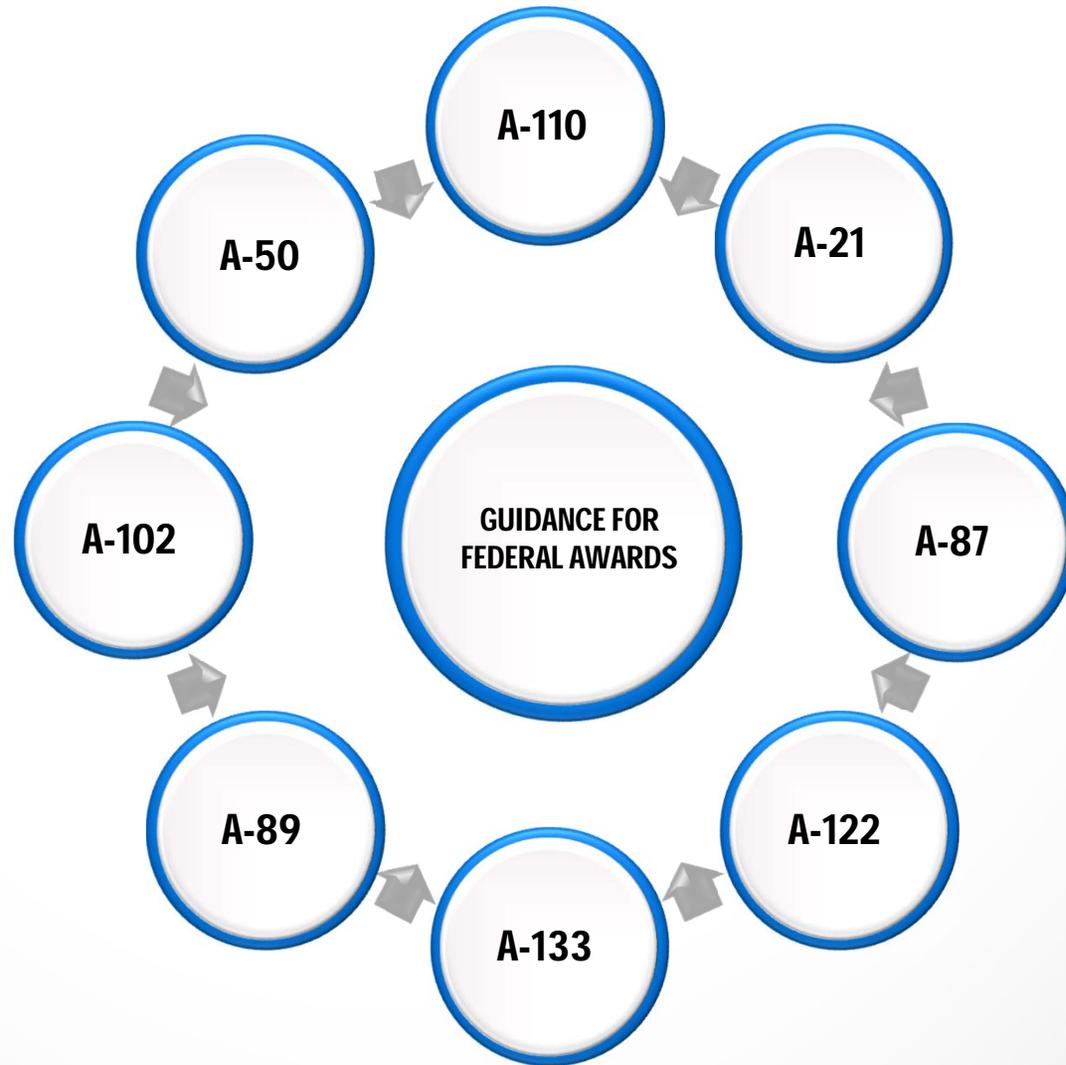
Office of Management and Budget
(OMB) issued:

*Uniform Administrative
Requirements, Cost Principles, and
Audit Requirements for Federal
Awards; Final Rule*
(Uniform Guidance)

December 26, 2013
Federal Register Notice

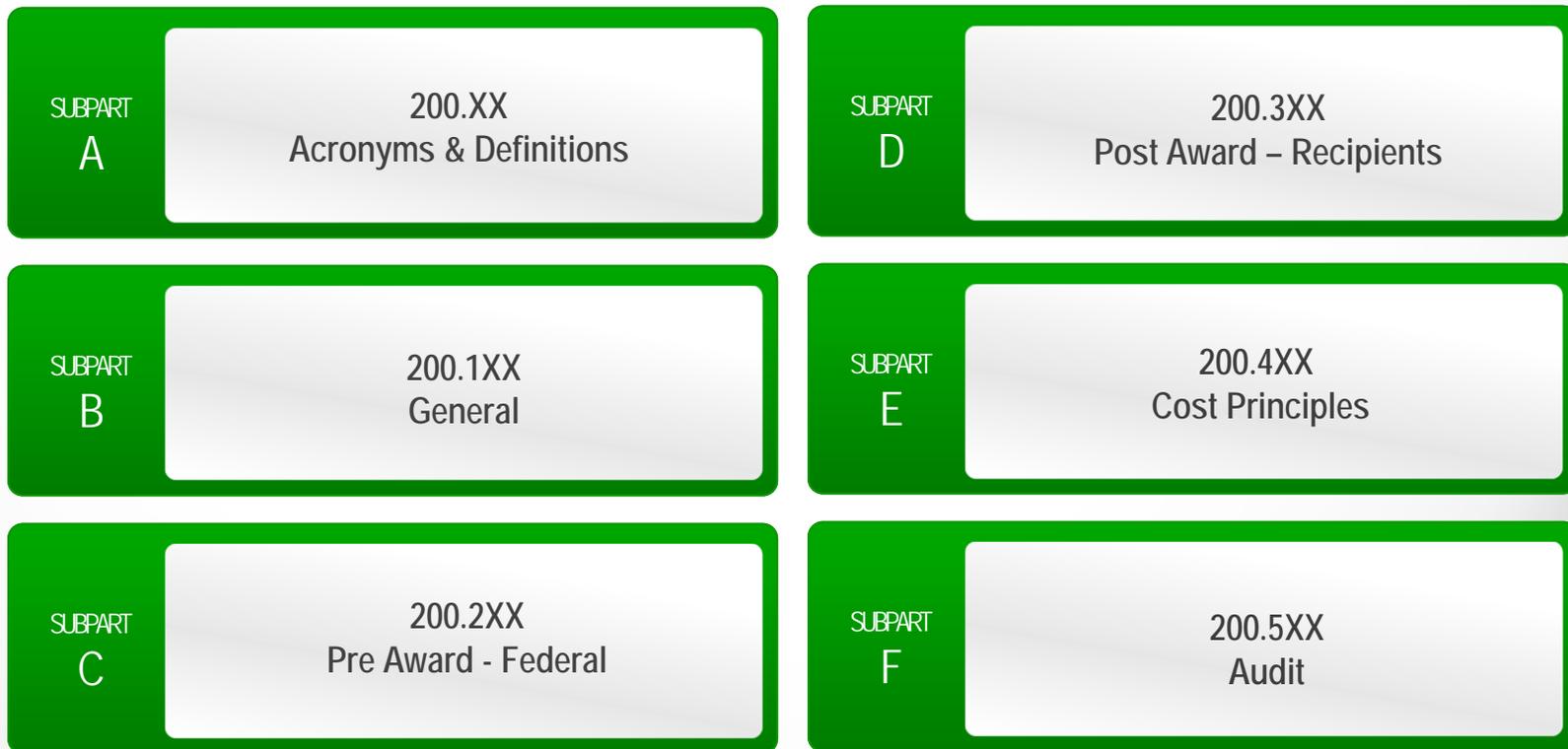
MGOnavigator.com

Previously



BRIDGING THE GAP

Currently



Uniform Guidance

SUBPART

- A. Acronyms and Definitions
- B. General Provisions
- C. Pre-Federal Award Requirements and Contents of Federal Awards
- D. Post-Federal Award Requirements
- E. Cost Principles
- F. Audit Requirements

OLD CIRCULAR

- A. All
- B. All
- C. All
- D. A-110 and A-102
- E. A-21, A-87, A-122
- F. A-133

APPENDICES

Effective Date - Federal

**FEDERAL AGENCIES MUST IMPLEMENT
POLICIES AND PROCEDURES BY
PROMULGATING REGULATIONS TO BE
EFFECTIVE BY DECEMBER 26, 2014**

- Accomplished with issuance of December 2014 Joint Interim Final Rule

Effective Date – Non-Federal

NON-FEDERAL ENTITIES WILL NEED TO IMPLEMENT THE NEW ADMINISTRATIVE REQUIREMENTS AND COST PRINCIPLES FOR ALL NEW FEDERAL AWARDS MADE ON OR AFTER DECEMBER 26, 2014, AND TO ADDITIONAL FUNDING TO EXISTING AWARDS (REFERRED TO AS FUNDING INCREMENTS) MADE AFTER THAT RULE

- Non-federal entities wishing to implement entity-wide systems changes to comply with the guidance **on or after December 26, 2014**, will not be penalized for doing so

Funding Increments

- UG applies to funding increments to existing awards in cases where the federal agency considers the funding increments to be an opportunity to modify the terms and conditions of the award
- Existing federal awards that do not receive incremental funding with new terms and conditions will continue to be governed by the terms and conditions of the federal award

A white speech bubble with a blue border and a blue shadow effect, pointing downwards and to the left. It contains the text 'COFAR FAQ .110-12 and 13'.

**COFAR
FAQ
.110-12
and 13**

Effective Date - audit

AUDIT REQUIREMENTS EFFECTIVE FOR FISCAL YEARS BEGINNING ON OR AFTER DECEMBER 26, 2014

- Not permitted to early implement any of the audit provisions

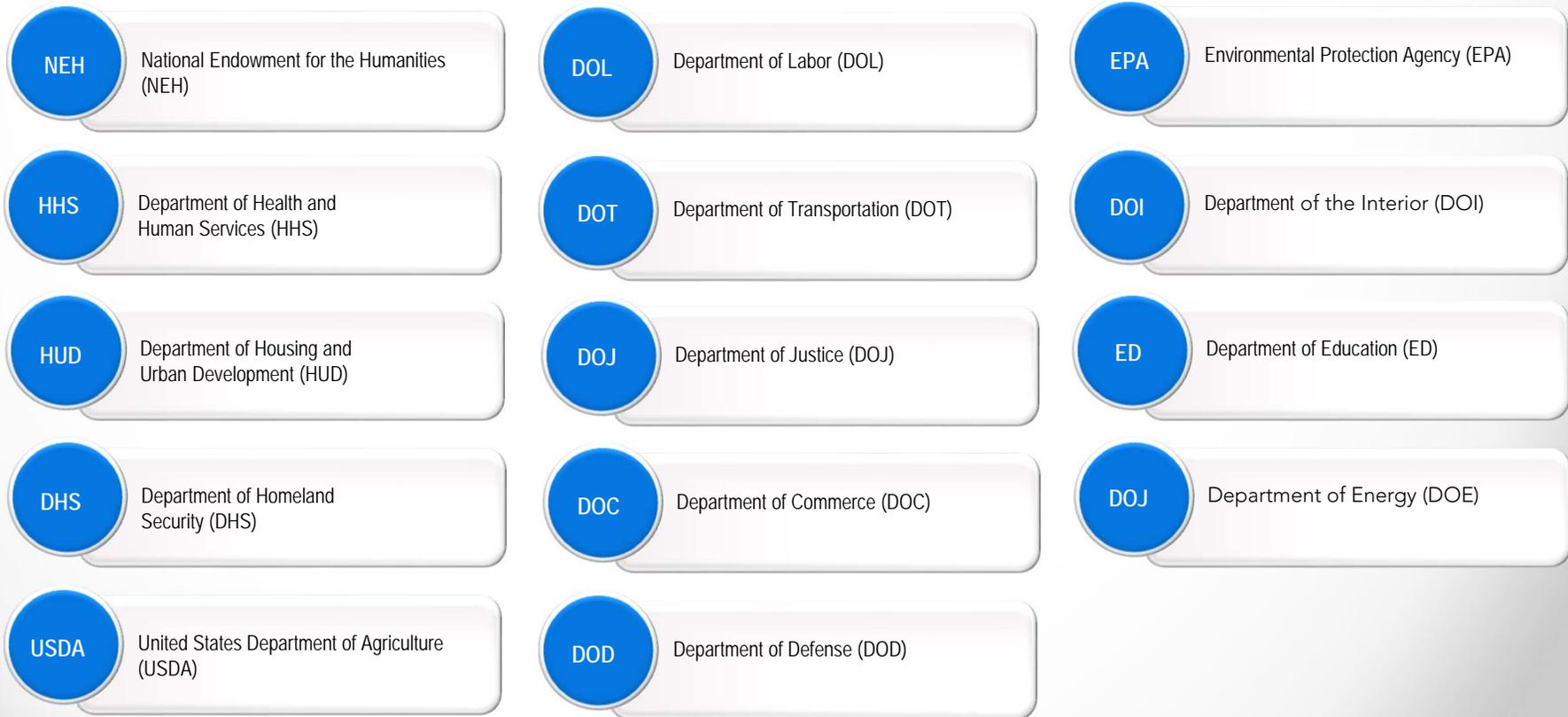
Complexities



PLANNING CONSIDERATIONS VERY IMPORTANT THIS YEAR

- Several years for “old” funding to run out
- Lack of PTE information
- Joint Interim Final Rule
- Agency Final Regulations

Multiple Federal Agency Implementation Rules



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SUBPART D: **Administrative
Principles**

IDENTIFYING THE ROAD BLOCKS

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Part 200 – Contents Of Uniform Guidance For Federal Awards

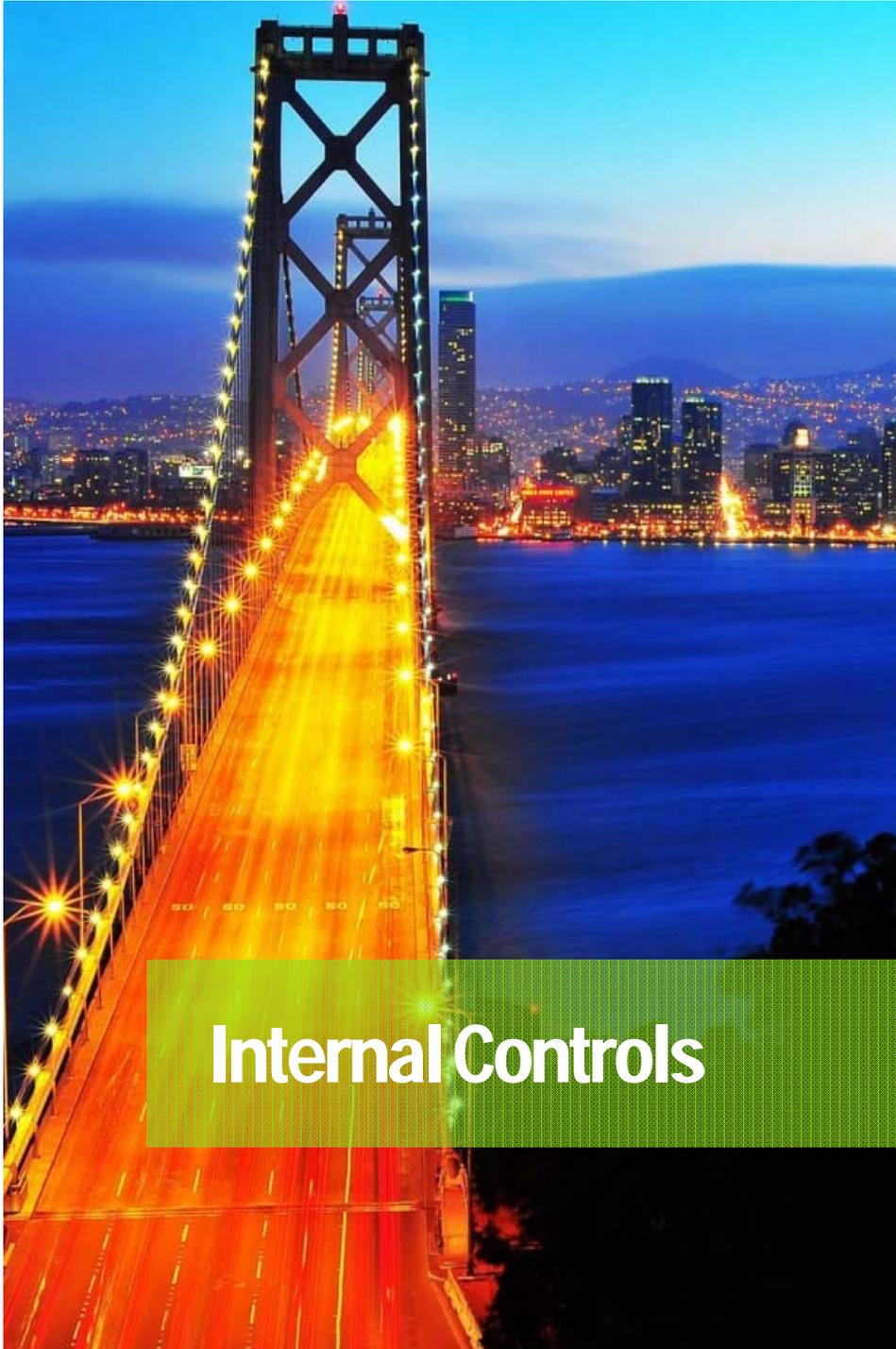
Subpart D - Post Federal Award Requirements

- Financial management
- Internal controls
- Bonds
- Payment
- Cost sharing and matching
- Program income
- Revision of budget and program plans
- Property standards
- Procurement standards
- Performance and financial monitoring and reporting
- Subrecipient monitoring and management
- Record retention and access
- Remedies for noncompliance
- Closeout

Financial Management System

Must include:

- Identification of all federal awards received and expended and the federal programs under which they were received.
- Effective control over, and accountability for all funds, property, and other assets.
- Comparison of expenditures with budget amounts for each federal award
- Written procedures - cash management and allowable costs



Internal Controls



§ 200.303 Internal controls.

The **non-federal entity must: (a) Establish and maintain effective internal control over the Federal award** that provides reasonable assurance that the non-federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award. **These internal controls should be in compliance with** guidance in “Standards for Internal Control in the Federal Government” [**Green Book**] issued by the Comptroller General of the United States and the “Internal Control Integrated Framework”, issued by the Committee of Sponsoring Organizations of the Treadway Commission (**COSO**).

Internal Control

OMB has stated that the **should** is meant to be a “best practice” and not a presumptively mandatory requirement

Payment (Cash Management)

- Must minimize the time elapsing between transfer of funds from the US Treasury or PTE and the disbursements
- Payment must be in advance when the non-federal entity:
 - Has written procedures to implement the requirements of cash management, and
 - Has a compliant financial management system
- If the above requirements are not met, reimbursement method is used

Budget Revisions

FOR NON-CONSTRUCTION FEDERAL AWARDS,
PRIOR APPROVAL IS ONLY REQUIRED FOR:

- Change in the scope or the objective
- Change in key person
- Disengagement from the project for more than three months or a 25% reduction in time devoted to the project
- Inclusion of costs that require prior approval according to Cost Principles
- Transfer of funds budgeted for participant support costs to other categories of expenses
- The subawarding, transferring or contracting out of any work under a Federal award
- Changes in amount of approved cost-sharing or matching

*Pre-approval requirements are waived for research projects unless the federal awarding agency indicates otherwise

Budget Revisions

- Federal awarding agencies have the option to:
 - Waive prior approval requirements, except for the change in the scope or the objective
 - Allow the non-Federal agency to incur project costs 90 days before the award date
 - Initiate a one-time extension of the period of performance by up to 12 months
 - Carry forward unobligated balances to subsequent periods of performance

Budget Revisions

- For awards that exceed the “simplified acquisition threshold” the federal awarding agency may restrict the transfer of funds among direct cost categories when such transfers exceeds or is expected to exceed 10% of the total budget
- Federal awarding agency responsibilities

Procurement

- New procurement standards adopt the majority of the language used from Circular 102. Therefore, non-federal entities that are currently subject to Circular A-110 will likely be affected more significantly.
- Type of recipients with greatest impact of new procurement guidance
 - Higher Educational Institutions
 - Not-for-Profit Organizations

Procurement Types

01

Micro Purchases

- \$3,000 Aggregate - \$2,000 if it is for Construction and subject to Davis-Bacon Act.
- There does not need to be quotations.
- Equitable distribution among qualified vendors

02

Small Purchases

- Simple and informal procurement methods
- Not more than the simplified acquisition threshold - currently \$150,000
- Price and rate quotations must be obtained from adequate number of qualified sources.

03

Sealed Bids

- Above simplified threshold – greater than \$150,000
- Preferred for construction projects
- Must be publicly advertised

04

Competitive Proposals

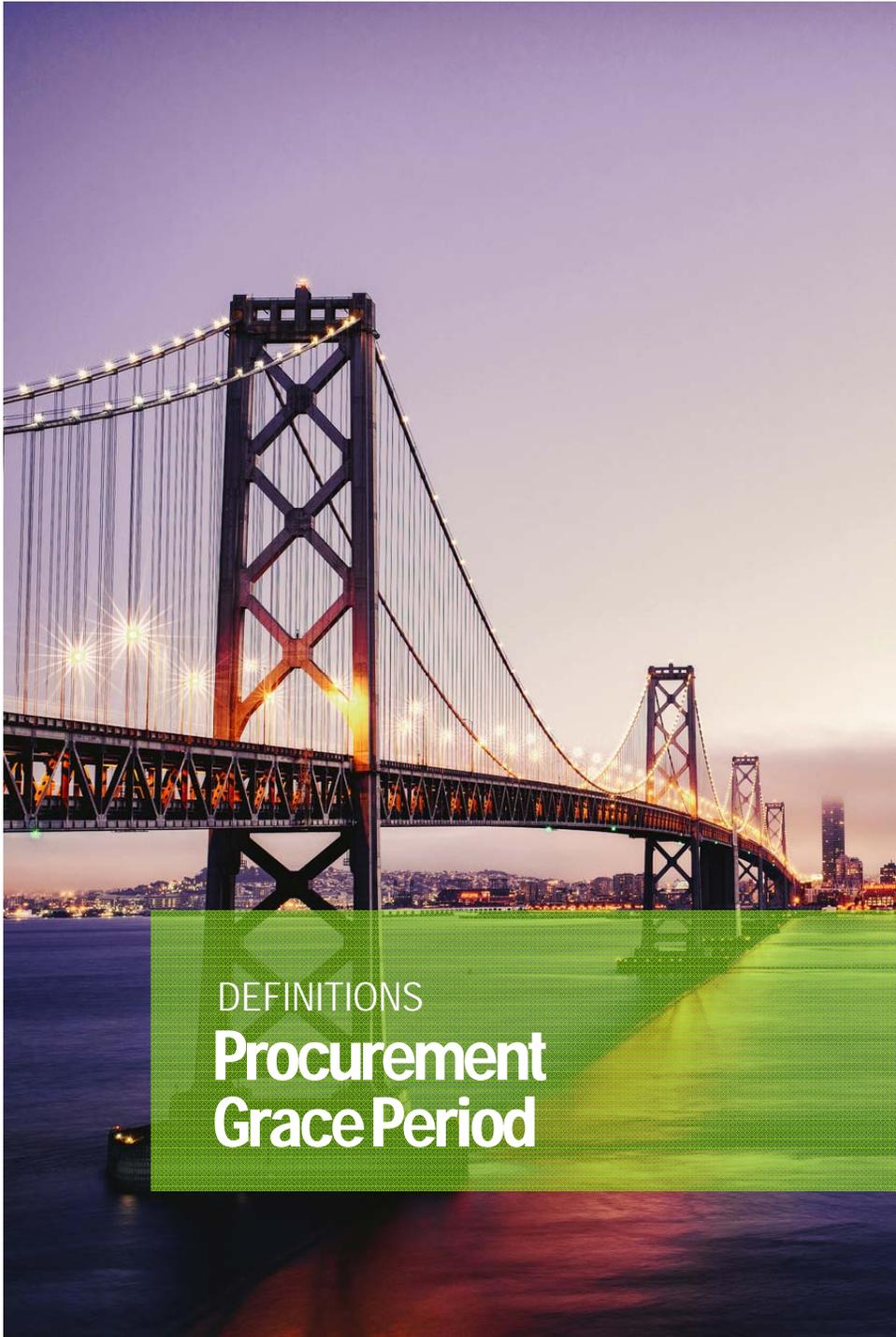
- Above simplified threshold – currently \$150,000
- More than one source for proposal
- Usually used for fixed fee or cost reimbursement
- A written method of evaluation and selection.
- Award must go to “most advantageous” proposal

05

Sole Source

Must meet at least one of the criteria:

- Single source availability
- Public emergency
- Written request has been made and approved by federal or PTE
- Competition is determined to be inadequate



DEFINITIONS

Procurement Grace Period



FAQ .110-6 states, for compliance with the new procurement standards only, the federal government is providing a grace period of **one full fiscal year** after the effective date of the Uniform Guidance for Federal Awards.



Subrecipient – A non-Federal entity that receives a subaward from a PTE to carry out part of a Federal program; but does not include an individual that is a beneficiary of such program. (section 200.93)

A high-angle photograph of the San Francisco skyline, showing the Transamerica Pyramid and other skyscrapers, with the city's hills and residential areas in the foreground. A green semi-transparent box is overlaid on the bottom left of the image.

DEFINITIONS

Subrecipient



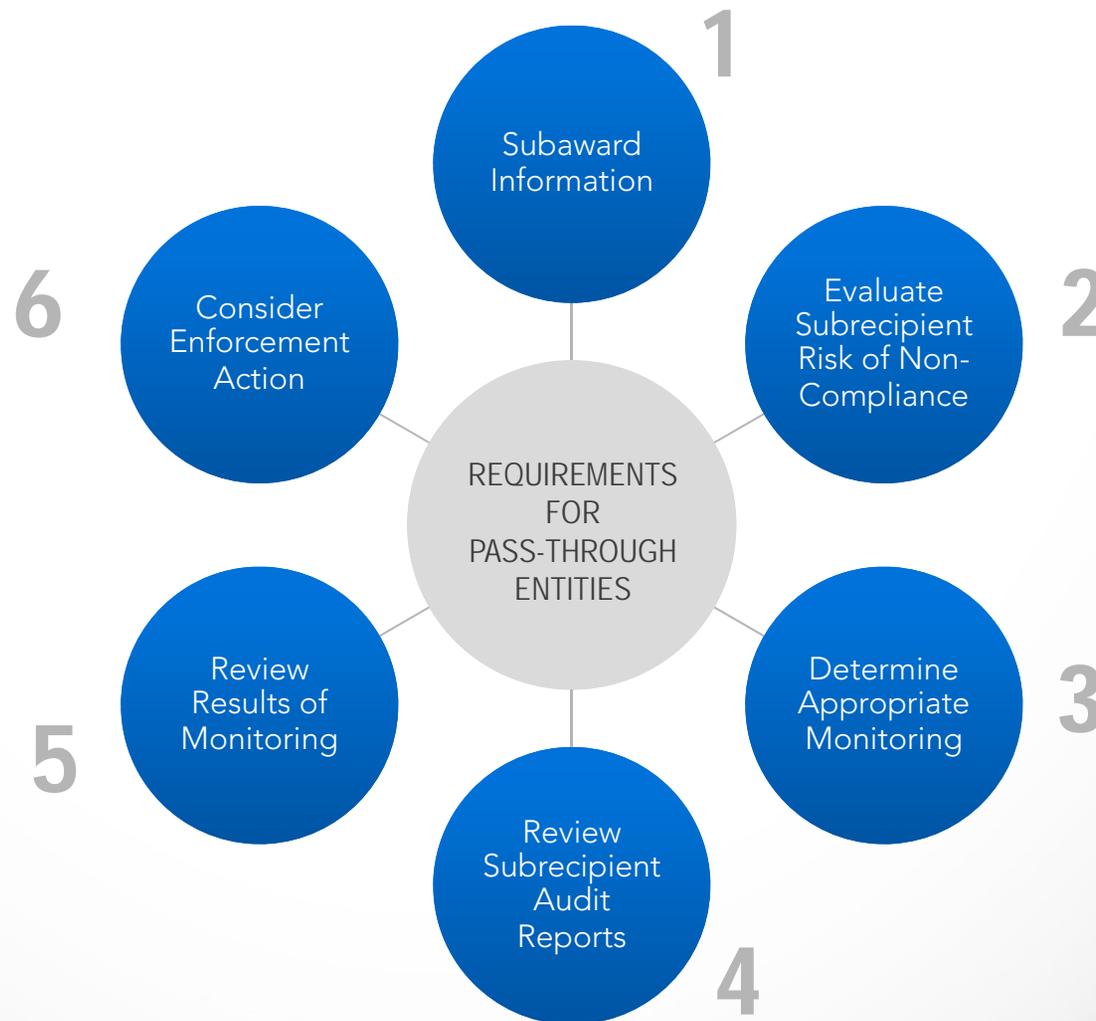
DEFINITIONS
Contractor



Contractor* – An entity that receives a contract, i.e. a legal instrument by which a non-Federal entity purchases property or services needed to carry out the project or program under a Federal award. (section 200.23)

*Contractor replaces the term “Vendor” from OMB Circular A-133.

Requirements for Pass-Through Entities



Subaward Information

Federal Award Identification must include:

- Subrecipient name
- Subrecipient's unique entity identifier
- Federal award identification number (FAIN)
- Federal award date
- Subaward period of performance
- Amount of federal funds obligated by the action
- Total amount of federal funds obligated to the subrecipient
- Total amount of the federal award
- Federal award project description
- Name of the federal awarding agency, PTE, and contact information for awarding official
- CFDA number and name
- Whether the award is R&D
- Indirect cost rate for the federal award

Subaward Information

Subaward agreement must include:

- Additional PTE requirements
- Allow PTE auditors access to subrecipient records
- Indirect cost rate
- Closeout procedures

Evaluate Risk Of Subrecipient Noncompliance

Consider:

- Subrecipient prior experience with the same or similar subawards;
- Results of previous audits,
- Whether subrecipient has new personnel or substantially changed systems; and
- Extent and results of Federal awarding agency monitoring.

Required Subrecipient Monitoring Activities

- Review financial and programmatic reports
- Follow-up and ensure that the subrecipient takes timely and appropriate action on all deficiencies pertaining to the federal award through audits, on-site reviews, and other means
- Issue management decisions for audit findings pertaining to the federal award provided to the subrecipient

Potential PTE Monitoring Tools

- Consider tools that may be useful for the PTE to monitor subrecipients:
 - Providing training and technical assistance
 - Performing on-site reviews of program operations
 - Arranging for agreed-upon procedures (AUP) engagements

Review Subrecipient Audit Reports

Verify every subrecipient is audited as required by Subpart F – Audit Requirements and consider:

- Size of the award
- Percentage of award vs. total federal awards received by the agency
- Audit findings – internal control and/or compliance
- Corrective action plan

Review Monitoring Results

- Upon conclusion of all monitoring, consider any impact on PTE records.
- Document the execution of monitoring activities and corrective action taken.

Consider Enforcement Action

- If noncompliance cannot be remedied, the PTE may take one or more of the following actions, as appropriate:
 - Temporarily withhold cash payments
 - Disallow all or part of cost of the activity not in compliance
 - Wholly or partly suspend or terminate the federal award
 - Recommend that the federal agency initiate suspension and debarment proceedings
 - Withhold further federal awards
 - Take other remedies that may be legally available

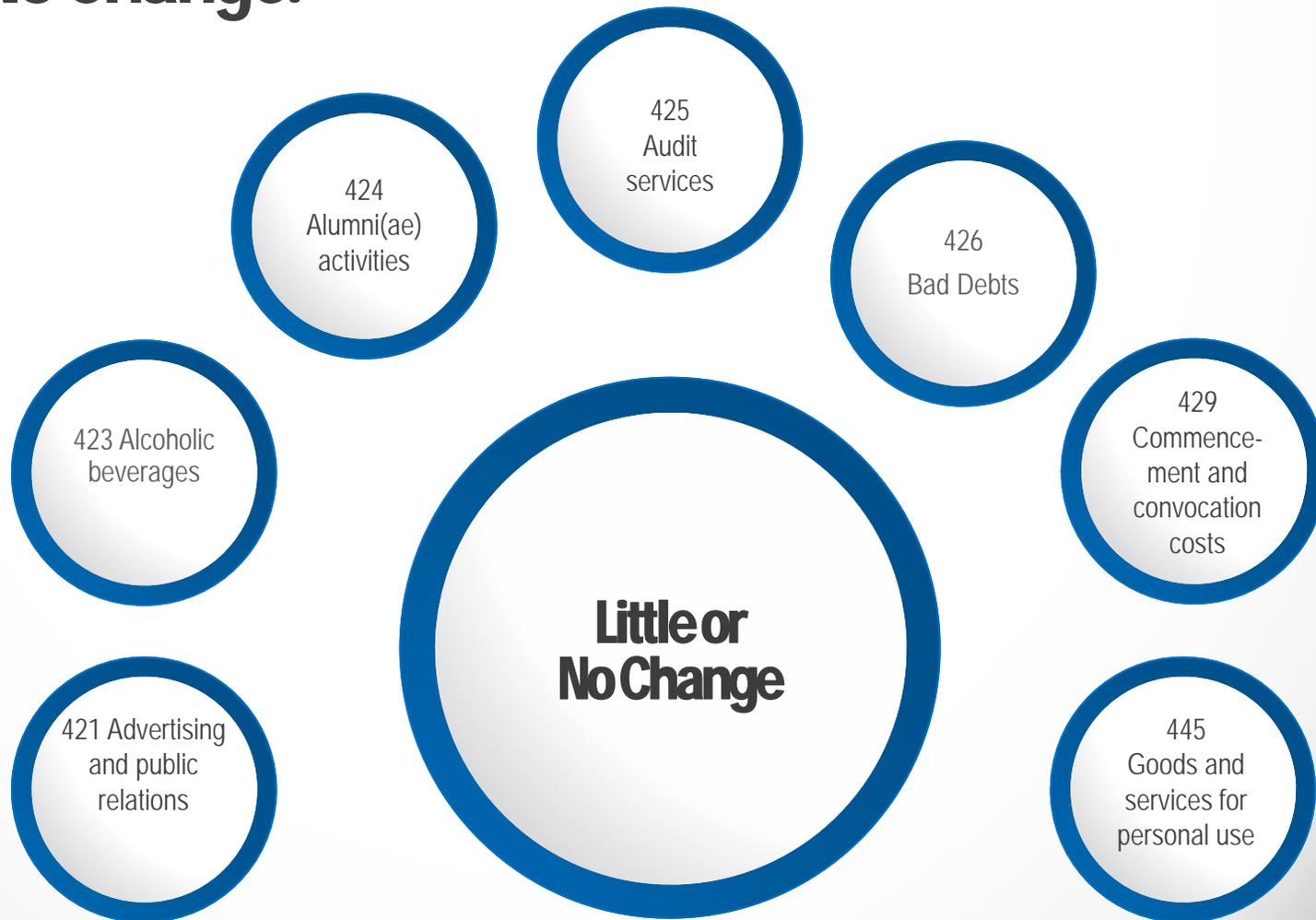
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SUBPART E:
Cost Principles

PAYING THE TOLL

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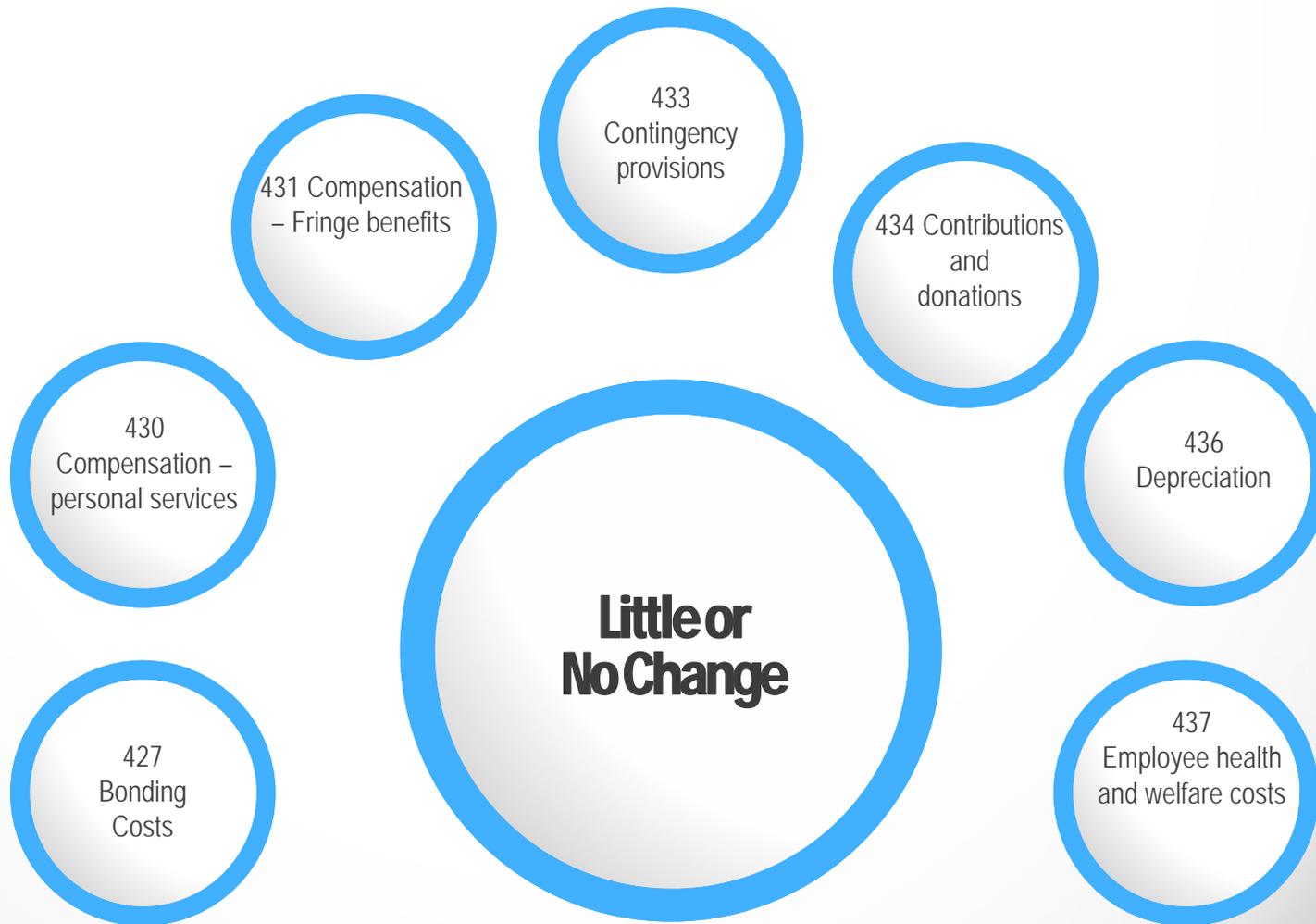
Cost Principles with Little Or No Change:



Cost Principles with Little or No Change:



Cost Principles with Changes:



Cost Principles With Changes:

**Little or
No Change**

439
Equipment and
other capital
expenditures

441
Fines, penalties,
damages and other
settlements

449
Interest

453
Materials and
supplies costs,
including costs of
computing devices

454 Memberships,
subscriptions, and
professional activity
costs

467
Selling and
marketing costs

447
Insurance and
indemnification

Cost Principles With Changes:



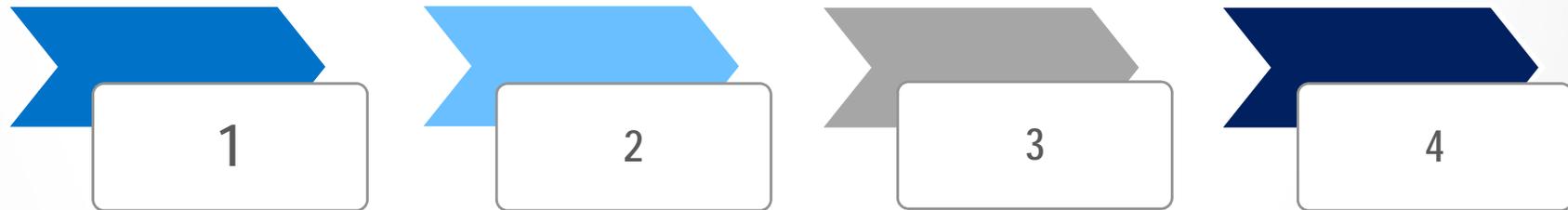
Compensation – Personal Services:

200.430

- Purpose was to reduce the administrative burden of documenting time and effort
- More principles based
- Less prescriptive on documentation and places more emphasis on internal controls over personnel-related costs

Compensation – Personal Services:

FOUR STANDARDS FOR DOCUMENTATION OF PERSONNEL EXPENSES



Charges for salaries must be based on records that accurately reflect the work performed

Must be supported by a system of internal controls which provides *reasonable* assurances the amounts charged are accurate, allowable and properly allocated

Be incorporated into official records

Reasonably reflect total activity for which employees is compensated

Depreciation



200.436

- Use allowance no longer allowed
- No depreciation on assets that are fully depreciated
- New: depreciation over life of the asset

Equipment And Other Capital Expenditures

200.439

- Computing devices do not meet the threshold requirements so are considered supplies
 - Tablets
 - Laptops
 - Smart phones
- Lesser of \$5,000 or entity capitalization threshold
- Revisit policy if below this amount

Proposal Costs

200.460

- Allowable as an indirect cost
 - Preparing proposals for both Federal and non-Federal
 - Successful and not successful bids
 - Allocated to all activities of the organization
- This was in college and university and government cost circular, but not NFP

Required Certifications – Subpart E

200.415

- Similar in A-87 but not A-21 or A-122
- Certification on annual and final fiscal reports or vouchers requesting payment
 - Assurance that expenditures are proper and in accordance with the terms and conditions of the federal award and approved budget
- Require on EVERY voucher requesting payment?
- Does this apply to drawdowns also?

Required Certifications – Subpart E

200.415

- Signed by an official who is authorized to legally bind the entity
 - Who will be designated at the organization?
 - CFO? CEO?
 - Organizations should start thinking about this
- Subject to criminal, civil or administrative penalties for fraud, false statements or false claims

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INDIRECT COST REIMBURSEMENT

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F&A Rate Changes

Indirect (F&A) Costs 200.414

- (c) Federal Agency Acceptance of Negotiated Indirect Cost Rates
 - The negotiated rates must be accepted by all federal agencies
 - A Federal agency may use a rate different from the negotiated rate for a class of federal awards or a single federal award only when required by federal statute or regulation, or when approved by a federal agency head or delegate based on documented justification
 - Agencies must notify OMB of any exceptions approved by the agency head

F&A Rate Changes

Indirect (F&A) Costs 200.414

- (f) 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
 - As described in 200.403 factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both
 - If chosen, this methodology once elected must be used consistently for all federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time

F&A Rate Changes

Indirect (F&A) Costs 200.414

- All Pass-through entities must:
 - May elect to charge a de minimis rate of 10% of Modified Total Direct Costs (MTDC) which may be used indefinitely
 - As described in 200.403 factors affecting allowability of costs, costs must be consistently charged as either indirect or direct costs, but may not be double charged or inconsistently charged as both
 - If chosen, this methodology once elected must be used consistently for all federal awards until such time as a non-Federal entity chooses to negotiate for a rate, which the non-Federal entity may apply to do at any time

Requirement for Pass-through Entities 200.331

Pass-through entities *must...*

- Ensure that every subaward is clearly identified to the subrecipient as a subaward and includes the following information at the time of the subaward and if any of these data elements change, include the changes in the subsequent subaward modification. When some of this information is not available, the pass-through entity must provide the best information available to describe the Federal award and subaward. Required information includes:
 - (xiii) Indirect cost rate for the Federal Award (Including if the de minimis rate is charged per 200.414 Indirect (F&A) costs)
- An approved federally recognized indirect cost rate negotiated between the subrecipient and the Federal Government or, pass-through entity and the subrecipient (in compliance with this part), or a de minimis indirect cost rate as defined in 200.414 Indirect (F&A) costs, paragraph (f)

MTDC Defined

200.68 Modified Total Direct Cost (MTDC)

- MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each subaward (regardless of the period of performance of the subawards under the award)
- MTDC excludes equipment, capital expenditures, charges for patient care, rental costs, tuition remission, scholarships and fellowships, participant support costs and the portion of each subawards in excess of \$25,000
- Other items may only be excluded when necessary to avoid a serious inequity in the distribution of indirect costs, and with the approval of the cognizant agency for indirect costs



MTDC Example

Simple Example of one project's MTDC:

Total Direct costs in our Budget: \$160,000

Salaries/benefits	\$ 95,000
Supplies	5,000
Subaward A	25,000
Subaward B	20,000
Capital Equipment	10,000
Participant Support Costs	5,000

Modified Total Direct Costs:

$$= \$160,000 - \$10,000 - \$20,000 - \$5,000$$

$$= \$125,000 \text{ MTDC} * 10\% = \$12,500 \text{ (IDC)}$$

F&A Rate Changes

Indirect (F&A) Costs - 200.414

- (g) Allows a one-time extension of Federally negotiated F&A rates for up to four years
 - Subject to reviews 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
 - At the end of the 4-year extension, the non-Federal entity must negotiate a new rate
 - Subsequent one-time extensions (up to four years) are permitted if a renegotiation is completed between each extension request

Frequently Asked Questions

Question:

Pass through entities are expected to honor a subrecipient's negotiated F&A rate agreement, or use a 10% MTDC de minimis rate, or negotiate an F&A rate with the subrecipient. Is it acceptable to require a subrecipient to accept a rate lower than 10% MTDC via negotiation, or in lieu of their negotiated F&A rate? If the subrecipient requests to establish a rate via negotiation, does the pass through entity have to establish the rate via negotiation?

Answer:

If the subrecipient already has a negotiated F&A rate with the federal government, the negotiated rate must be used. It is not permissible for pass through entities to force or entice a subrecipient without a negotiated rate to accept less than the de minimis rate.

Frequently Asked Questions

Question:

What should I do if my pass through entity won't honor my entity's federally negotiated indirect cost rate agreement?

Answer:

You may wish to remind your pass through entity of their obligation under the uniform guidance in part 200.331 (basically they are required to accept the negotiated rate).

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SUBPART F:
Audit Requirements

NAVIGATING THE AUDIT

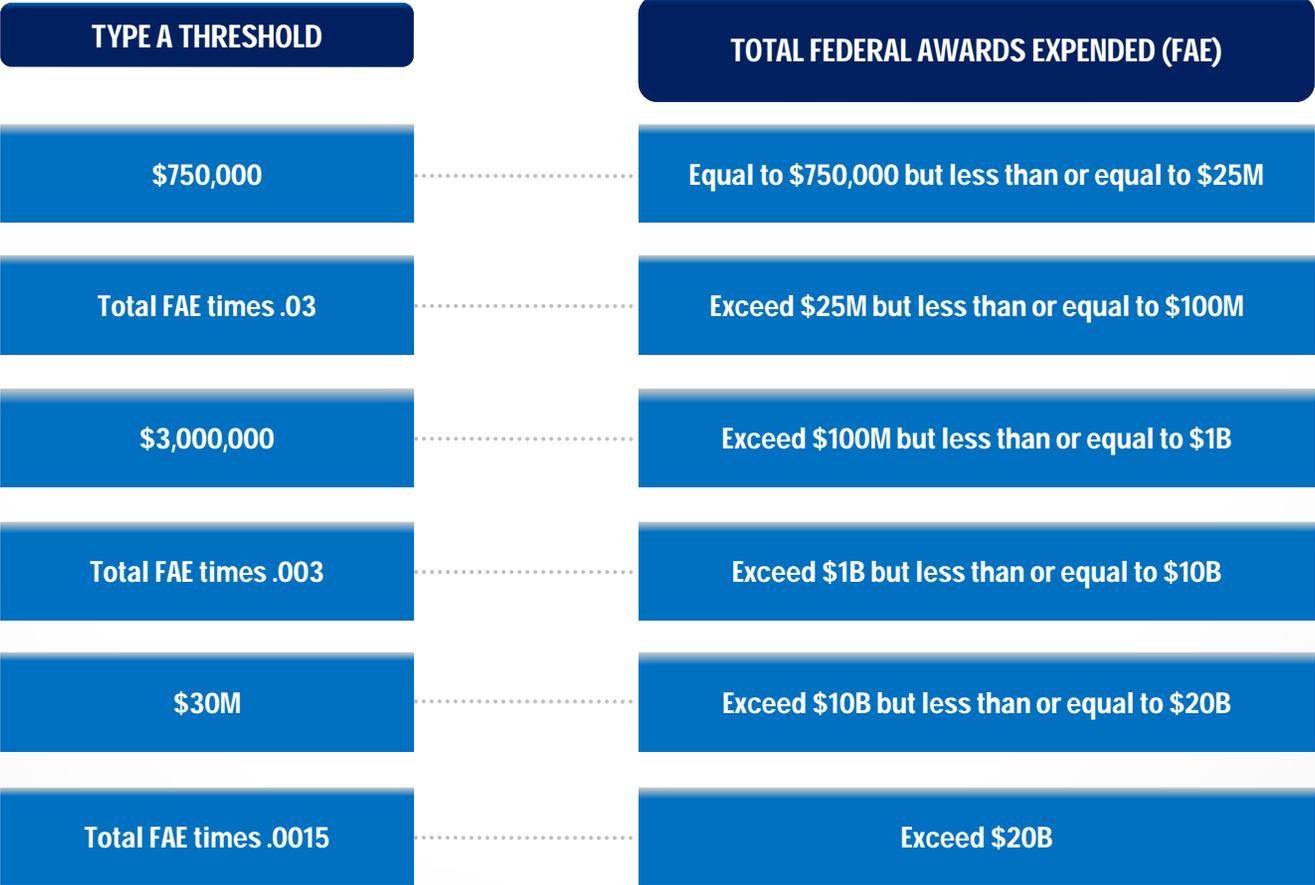
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Overview

- Increases audit threshold from \$500,000 to \$750,000
- Strengthens risk-based approach to determine Major Programs
- Greater transparency of audit results
- Focuses on compliance requirements of highest risk

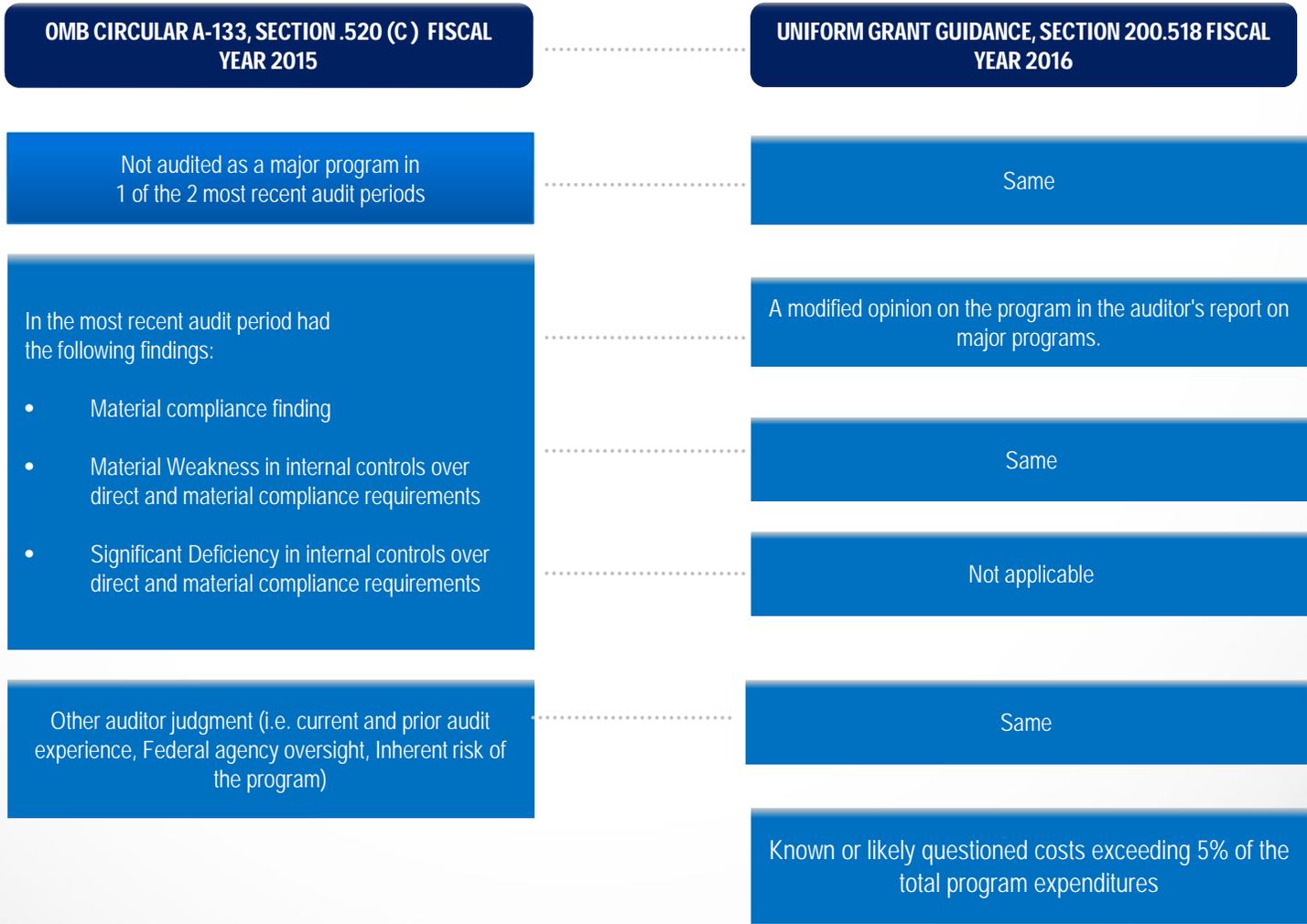


Type A Threshold





High Risk Type A Assessments



Type B Risk Assessments Options

OMB CIRCULAR A-133,
SECTION .520 (D)

Fiscal Year Beginning
Before December 26,
2014

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.

UNIFORM GRANT GUIDANCE,
SECTION
200.518

Fiscal Year Beginning on
or After December 26,
2014

REQUIREMENT

Perform risk assessments on Type B programs until high-risk Type B programs have been identified up to at least 25% of the number of low-risk Type A programs.

Percentage of Coverage

Section 200.518 (f) – Percentage of Coverage Guidance reduces the minimum coverage as follows:

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

* If auditee voluntarily prepares financial statements on a non-GAAP basis of accounting (e.g., cash or modified cash), auditee cannot be considered low-risk auditee

Schedule of Expenditures of Federal Awards

- Total amount provided to subrecipients from each federal program:
 - Previous guidance only required “to the extent practical”

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Federal Expenditures	Expenditures to Subrecipients
Department of Education Direct Program – Title I Grants to Local Educational Agencies	84.010	N/A	\$1,000,000	\$800,000

Audit Findings

Section 200.516 – Audit Findings

- Increases the threshold for reporting known and likely questioned costs from \$10,000 to \$25,000
- Requires that questioned costs be identified by CFDA number and applicable award number
- Requires identification of whether audit finding is a repeat from the immediately prior audit and if so the prior year audit finding number
- Provides that audit finding numbers be in the format prescribed by the data collection form

Single Audit Reports On The Web

- All auditees must submit the reporting package and the DCF electronically to the FAC
- Subrecipient only required to submit report to FAC and no longer required to submit to pass-through entity
- Auditors and auditees must ensure reports do not include PPII
 - Auditee will have to sign certification statement that reporting package does not include PPII

Implementation Roadmap



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Nonprofit Update

THE STATE OF NONPROFITS

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Current Economy

- Important Considerations
- Key Economic Indicators

State of NFPs

- NFPs continue to play a large role in the world economy
- Currently more than 1.6 million NFPs register with the IRS
- Contributions to NFP's in 2013 exceeded \$335 billion
- Total revenues in sector exceeded \$2 trillion
- 25.4% of US population (approximately 62 million people) volunteered at a NFP

Governance & Accountability

- What are our risks?
- How do we know?
- What are we doing about them?
- How can we take advantage of the risks to enhance our performance?

Governance & Accountability

“Enterprise risk management is a process, effected by an entity’s board of directors, management and other personnel, applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives.”

- Committee of Sponsoring Organizations of the Treadway Commission (COSO)

Governance & Accountability

Enterprise Risk Management

- Organizational Culture that embraces all employees' collective responsibility for risk management
- Beyond risk identification
- Foundational Elements
- While 45% of public companies reported having an ERM protocol in place, only 12% of NFPs
- 5 Stage of ERM Adoption

Measuring the Effectiveness of NFPS

Reporting trends of leading-edge NFPS include:

- Fact sheets about how and why an NFP's program is effective, descriptions of key components of an NFP's program model, and summary results from evaluations
- External third party studies of an NFP's work, including quantifying results from single or multi-year evaluations
- Visual illustration of NFP's "Theory of Change," displaying how an NFP approaches its programmatic work
- Enhanced impact information included within an NFP's ongoing, required reporting

Donor-advised Funds

- A donor-advised fund is a charitable giving vehicle that a donor establishes with a section 501(c)(3) organization (the recipient organization), such as a community foundation or university
- In order to receive that tax deduction, the donor must grant variance power over the donated assets to the recipient organization. Variance power is the unilateral power to redirect the use of the transferred assets to another beneficiary

Cyber Security



- As technologies advance and NFPs become more sophisticated in using them, sensitive data that is stored internally or transmitted across networks becomes more vulnerable
- While resources at NFPs may be limited, the costs of dealing with breach can be high. A breach can expose the organization to steep fines as well as litigation and remediation expenses
- NFPs should consider putting policies and process in place to manage data privacy and security

Generally Accepted Privacy Principles

- GAPP is designed to assist management in creating an effective privacy program that addresses their privacy obligations, risks, and business opportunities
- The privacy principles and criteria are founded on key concepts from significant local, national, and international privacy laws, regulations, guidelines, and good business practices

Socially Responsible Investing

- Socially responsible investing (SRI) – also known as sustainable, socially conscious, green, ethical, or values-based investing – is an investment strategy that continues to get attention by organizations as well as their boards and supporters
- SRI has a goal of aligning corporate ethics with investments strategies related to the environment, consumer protection, human rights, and other social stewardship concerns
- The three common approaches to SRI are as follows:
 - Negative screen
 - Positive screen
 - Restricted screens

Crowd Funding

NFP Fund-raising Trends

- Social Media
 - Twitter, Facebook & Blogs
 - Need to consider donor base who do not use/own smartphone
- Crowd Funding
 - Accountability/Controls
 - Joint Cost Allocation

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AUDIT ISSUES AND DEVELOPMENTS

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The AICPA Enhancing Audit Quality Initiative

- The AICPA has embarked on a far-reaching effort to help reinforce CPAs' commitment to quality
- The goal is to align the objectives of all audit-related AICPA efforts to continue improving audit performance

COSO's Updated Internal Control – Integrated Framework

- Originally issued in 1992
- Recognized as leading guidance for designing, implementing, and conducting a system of internal control
- Auditors use in analyzing entities' internal control

Original 1992 Framework

Defined “Internal Control”

Internal control is a process, effected by an entity’s board of directors, management and other personnel, designed to provide reasonable assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

5 Interrelated Components

1. Control environment
2. Risk assessment
3. Control activities
4. Information & communication
5. Monitoring

Updated Framework Issued In 2013

Defined “Internal Control”

- What didn't change
- Enhancements/clarifications
- Old framework transitioned out 12/15/2014
- Applying the 2013 framework
 - NFPs
 - Auditors

Other Audit And Attestation Issues And Developments

- Investment Policy Impact on the Audit
- UPMIFA and Endowment Spending Policies
 - UPMIFA and the Rule of Prudence
- Spending Policies
- Auditing Endowments
- Auditing Donor Intent
- Auditing Contributions
- Auditing Agency Transactions
- Change in Donor Intent
- Construction Fraud Schemes
- Auditing Reporting on Forms Prescribed by Regulators
- Clarification and Recodification of Statements on Standards for Accounting and Review Services

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ACCOUNTING ISSUES AND DEVELOPMENTS

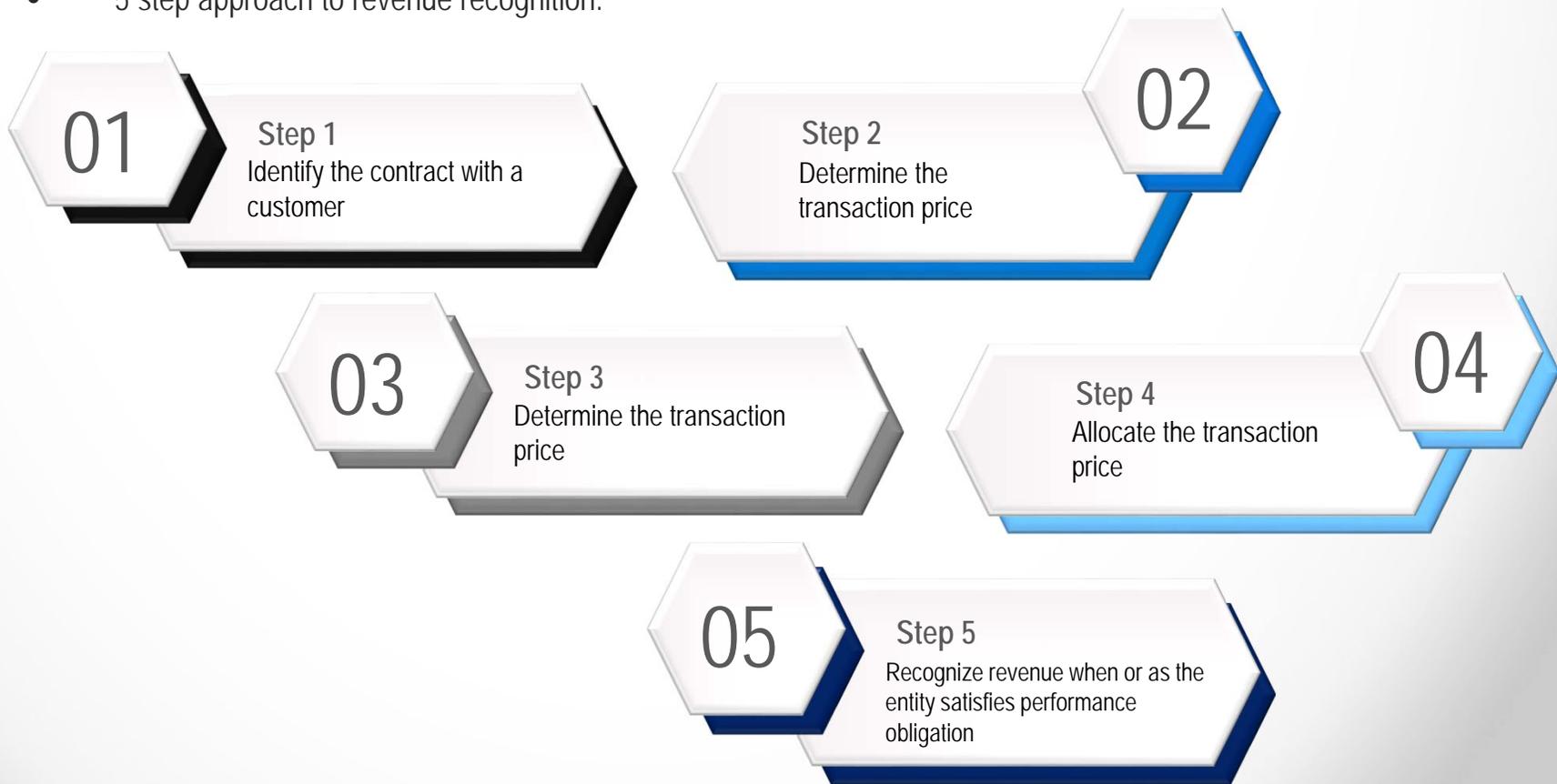
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Revenue From Contracts With Customers

- New revenue recognition model replaces virtually all existing revenue guidance
- Impacts public, private and NFP entities
- New qualitative and quantitative disclosure requirements
- Based on the core principle that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods and services

Revenue From Contracts With Customers

- Comprehensive framework for determining how much revenue to recognize and when it should be recognized
- 5 step approach to revenue recognition:



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NFP FINANCIAL STATEMENTS

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NFP Financial Statement Model

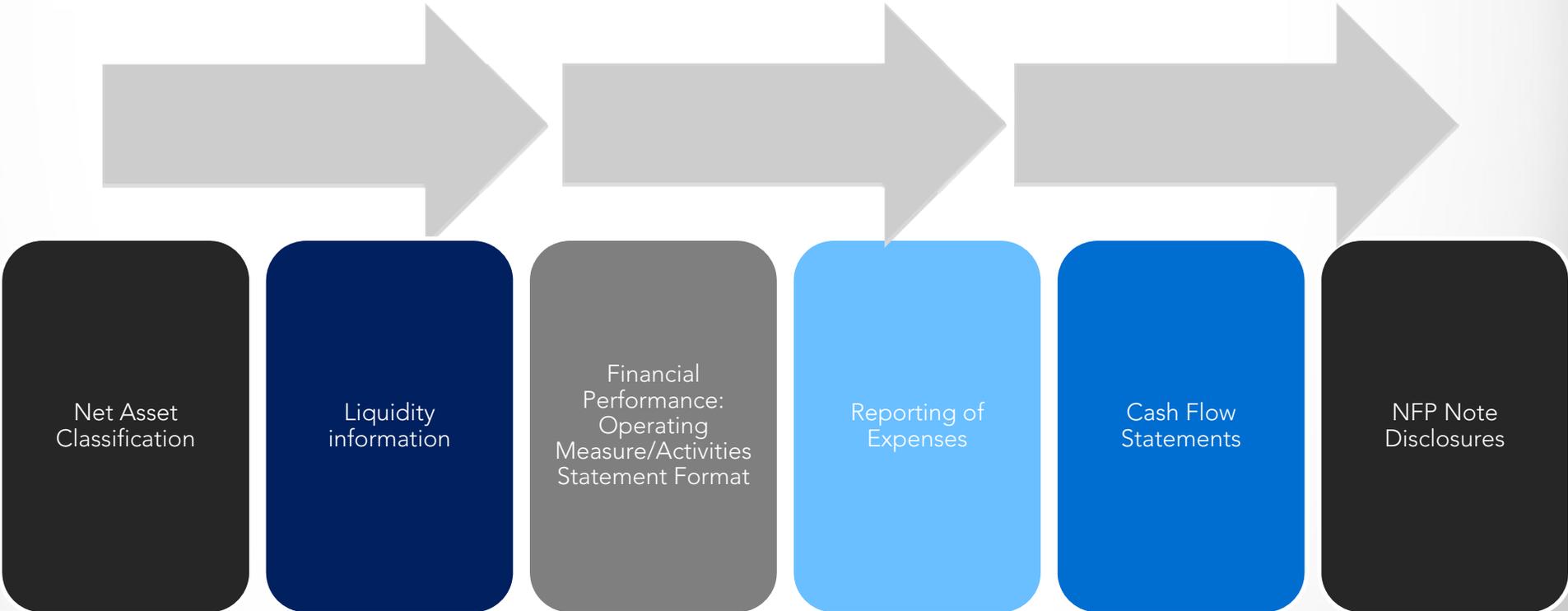
- Last overhauled approximately 20 years ago
 - FAS 117 (now codified within Topic 958 of the ASC)
- FAS 117 represented significant change from previous guidance
 - Significant differences across the sector
 - Significant differences from business entities
- FAS 117 kept at a somewhat high level, with expectation that guidance would evolve in certain areas (e.g., operating measure)
 - Has happened, but only to a certain degree

NFP Financial Statements Project – Key Objectives

Recommended by FASB's NFP Advisory Committee (NAC)

- “Refresh,” not overhaul, the current model
- Improve net asset classification scheme
- Improve information in financial statements and notes about:
 - Liquidity
 - Financial performance
 - Cash flows
- Better enable NFPs to “tell their financial story”

Financial Statements of NFPs



Questions?

Let's Talk.

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