

THE PPC GOVERNMENTAL UPDATE

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Omnibus 20XX ED: What's Changing?



In July, the GASB issued an exposure draft, *Omnibus 20XX*, to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature. It addresses (1) practice issues that have been identified during implementation and application of certain GASB statements and (2) accounting and financial reporting by governments that extend exchange or exchange-like financial guarantees. Let's check out a synopsis of the practice issue amendments.

Derivative Instruments

The proposed amendment makes changes to the classification and reporting of certain derivative instruments that are within the scope of GASBS No. 53 but do not meet the definition of an investment derivative instrument nor a hedging derivative instrument. *The proposed amendment for derivative amendments and financial guarantees would be effective for reporting periods beginning after June 15, 2023, with earlier application encouraged.*

Clarification of Provisions in GASBS No. 87, Leases

The proposed amendments clarify certain provisions of GASBS No. 87, as they relate to lease term, short-term leases, lease recognition and measurements, and lease incentives. *The proposed amendments would be effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter, with earlier application encouraged.*

Clarification of Provisions in GASBS No. 94

The proposed standard makes changes to GASB Statement No. 94 to clarify guidance for the determination of the public-private and public-public partnership term and measurement of installment payments and the transfer of the underlying asset. *The proposed amendments would be effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter, with earlier application encouraged.*

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Clarification of Provisions in GASBS No. 96

Paragraph 9 of GASBS No. 96 has conflicting guidance on the option to terminate an SBITA contract. The amendment would update the guidance to clarify that an option to terminate an unconditional right that exists within an SBITA contract. A provision that gives a party to the SBITA the right to terminate the SBITA contract only in certain circumstances or upon the occurrence of certain events, such as the action or inaction of the other party to the SBITA contract, should not be considered an option to terminate the SBITA for purposes of determining the SBITA term. *The proposed amendment would be effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter, with earlier application encouraged.*

London Interbank Offered Rate (LIBOR)

For the purposes of applying paragraphs 35–38 of GASBS No. 53, as amended, the proposed amendment states that the LIBOR is no longer an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021. *The proposed amendment would be effective upon issuance.*

Supplemental Nutrition Assistance Program (SNAP)

To improve the relevance of accounting guidance, the Board believes that the accounting and financial reporting of SNAP transactions should follow the provisions of GASBS No. 33, which provide guidance on the recognition of assets for government-mandated or voluntary nonexchange transactions that have similar accounting issues as SNAP. *The proposed amendment would be effective upon issuance.*

Disclosures Related to Nonmonetary Transactions

The proposed amendment clarifies that a government that engages in one or more nonmonetary transactions during a period and that is required to apply paragraphs 272–280 of GASBS No. 62 to those transactions should disclose in notes to the financial statements for the period the measurement attribute(s) applied to the assets transferred, rather than the basis of accounting for those assets. *The proposed amendment would be effective upon issuance.*

Pledges of Future Revenues

To make GASBS No. 48 more consistent with GASBS No. 14, as amended by GASBS No. 61, the proposed amendment adds guidance to GASBS No. 48 to address the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit. *The proposed amendment would be effective upon issuance.*

Government-Wide Financial Statements

Concern has been raised that the phrase *as a whole* is used in varying contexts in GASBS No. 34, as amended. The proposed amendment replaces the phrase *the reporting government as a whole* in paragraphs 6 and 13 of GASBS No. 34, as amended, with *the overall reporting government* to eliminate potential confusion. *The proposed amendment would be effective upon issuance.*

Terminology Updates Related to Certain Provisions of GASBS No. 63

In a recent review of current literature, terminology that is inconsistent with changes that resulted from GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was identified. The proposed amendment includes updated terminology changes for the following pronouncements:

- In paragraphs 49 and 130 of Statement 10; paragraph 6 of Statement 30; and footnote 23 of Statement 34, as amended, the terms *balance sheet*, *balance sheets*, and *balance sheet date* should be replaced by *statement of net position*, *statements of net position*, and *statement of net position date*, respectively.
- In paragraph 56 of Statement 10, the term *balance sheet date* should be replaced by *date of the financial statements*.
- In paragraph 485 of Statement 62, as amended, the term *fund equity* should be replaced by *assets that were not obtained from borrowings*, and the term *equity funds* should be replaced by *other assets used*.
- In footnote 228 of Statement 62, the term *fund equity* should be replaced by *the equity interest*.
- In paragraph 11 of Interpretation 1, as amended, the term *balance sheet date* should be replaced by *balance sheet/statement of net position date*.

The proposed amendment would be effective upon issuance.

Effective Date

The proposed effective dates have been noted above.

Practical Consideration:

The full text of the proposed statement is available on Checkpoint at [checkpoint.riag.com](https://www.checkpoint.riag.com) for users that subscribe to GASB content, and at www.gasb.org.



SAS 144 Issued on Use of Specialists and External Pricing Information

In June 2021, the AICPA Auditing Standards Board issued SAS 144, *Amendments to AU-C Sections 501, 540, and 620 Related to the Use of Specialists and the Use of Pricing Information Obtained from External Information Sources*. SAS 144 amends a number of AU-C sections, including AU-C 501, *Audit Evidence—Specific Considerations for Selected Items*; AU-C 540, *Auditing Accounting Estimates and Related Disclosures*; and AU-C 620, *Using the Work of an Auditor's Specialist*.

Changes

The new standard amends application paragraphs and provides enhanced guidance on evaluating the work of a specialist that management uses for developing accounting estimates, along with other specialists used by management. For example, an external firm hired by management to take inventory is no longer referred to as a *specialist*. SAS 144 also amends application paragraphs in AU-C 620 on using the work of an auditor's specialist.

A new appendix was added to AU-C 540 to provide guidance on using pricing information from third-party pricing services as audit evidence to evaluate management's estimates of the fair value of financial instruments. This appendix is based on Appendix A of PCAOB Auditing Standard 2501, *Auditing Accounting Estimates, Including Fair Value Measurements*.

Effective Date

SAS 144 is effective for audits of financial statements for periods ending on or after December 15, 2023, with early implementation permitted.

Practical Consideration:

SAS 144 is available on the AICPA's website at www.aicpa.org/content/dam/aicpa/research/standards/auditattest/downloadabledocuments/sas-144.pdf.

Implementation Guidance

The AICPA addressed accountants' use of specialists and the need to provide additional guidance in this area in an October 2020 publication it developed and issued with the IAASB and IESBA, *Using Specialists in the COVID-19 Environment, Including Considerations for Involving Specialist in Audits of Financial Statements*.

This document provided implementation guidance to assist practitioners in considering engaging specialists as a result of changes in circumstances caused by the pandemic.

Practical Consideration:

The implementation guidance is available at www.ethicsboard.org/publications/using-specialists-covid-19-environment.

Conclusion

As a result of COVID-19, accountants may need to identify new areas where they should consider using specialists to assist them with understanding changes in, and responding to risks related to, the economy, environmental factors, cyber threats, fraud, and government assistance programs. This publication notes that in the COVID-19 environment, accounting estimates is the area most likely to require additional expertise, and specialists may be required to assist auditors with evaluating management's fair value assumptions.



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GAO Issues COVID-19 Recommendations

The GAO recently issued two reports targeted to the federal government's Office of Management and Budget (OMB) containing recommendations related to COVID-19 issues.

COVID-19 Awards Audit Guidance

The first article, *COVID-19: Sustained Federal Action Is Crucial as Pandemic Enters Its Second Year*, addresses the lack of timely and relevant guidance from the OMB surrounding the audit requirements of new and existing COVID-19 federal awards. GAO's recommendation to the OMB states that they should work with federal agencies and the audit community to "incorporate appropriate measures in the OMB process for preparing single audit guidance, including the annual Single Audit Compliance Supplement, to better ensure that such guidance is issued in a timely manner and is responsive to users' input and needs." Although the report, and this recommendation, were issued in light of the COVID-19 pandemic, the AICPA Government Audit Quality Center has been raising concerns surrounding the lack of timeliness, transparency, quality, and content of the Compliance Supplement for several years.

The report also noted that although single audit extensions provided in response to COVID-19 were helpful, the delay in issuing relevant guidance "could impact award recipients' development of corrective action

plans, management decisions, and resolution of findings identified during the audits."

COVID-19 Lessons Learned

As its title suggests, the second article, *OMB Should Collect and Share Lessons Learned from Use of COVID-19-Related Grant Flexibilities*, recommends that OMB collect and share lessons learned from the flexibilities that they granted to grantees (as well as auditors in the form of submission deadline extensions) in response to COVID-19. The report outlines 15 specific OMB-identified grant flexibilities related to COVID-19, such as no-cost extensions, procurement exemptions, and single audit extensions. The report states that "the collecting and sharing of lessons learned from previous programs or projects provides organizations with a powerful method for sharing ideas for improving work processes." The recommendation aims to improve flexibilities, reduce administrative burden, and maintain accountability for federal funds.

Practical Consideration:

The reports can be accessed at the following links:

- *COVID-19: Sustained Federal Action Is Crucial as Pandemic Enters Its Second Year*: www.gao.gov/assets/gao-21-387.pdf.
- *OMB Should Collect and Share Lessons Learned from Use of COVID-19-Related Grant Flexibilities*: www.gao.gov/assets/gao-21-318.pdf.

