

Auditor Implications of American Recovery and Reinvestment Act of 2009

1. Objectives of legislation
2. Auditor perspective
 - Immediate impact
 - Nonstatic Compliance Supplement
 - QCRs
3. OMB Guidance
 - Initial Implementing Guidance issues Feb. 18, 2009
 - Follow-Up Guidance issued April 2, 2009
 - Implementing Guidance for the Reports on Use of Funds Pursuant to the Recovery Act issued June 22, 2009
 - Addendum to Compliance Supplement issued August 5, 2009
 - OMB Compliance Supplement revision for 2010
4. Auditor concerns
 - Proper identification by clients of ARRA awards
 - Impact of Federal CFDA numbers on audit scope
 - Clustering of new ARRA programs
 - Major Program determination
 - New CFDA numbers
 - May have to use multiple sources to determine compliance requirements
 - Appropriate disclosure of award in SEFA
5. Auditors message to preparers
 - Need for client processes that recognize the unique requirement of ARRA
 - Consider a Recovery Act “Czar” or task force\Need for appropriate control procedures of these unique programs
 - Separate tracking and identification of these funds
 - Any new controls should be tested for compliance with the ARRA requirements before implementation
 - Appropriate subrecipient monitoring
 - Adequate reporting process to address the unprecedented requirements for transparency and accountability

Convergence of International Audit and Attest Standards

1. AICPA Auditing Standards Board (“ASB”) is harmonizing its agenda with the International Audit and Assurance Standards Board in order to develop audit standards concurrently with the exception of national circumstances
6. ASB will provide considerable support and resources to develop new and revised international standards on auditing
7. ASB will assist in developing support auditing practice guidance of both ISAs and SASs in specific industries.
8. Smaller task forces at ASB to follow the progress at IAASB and to develop the ASB’s position on such activity
9. ASB will reorganize its standing international auditing standards subcommittee to manage and oversee the internationalization of audit/attest standards

Auditing Standards Clarity Project

1. In 2004, The Auditing Standards Board launched a significant effort to make US Generally Accepted Auditing Standards (GAAS) easier to read, understand, and apply.
2. In 2009, the IAASB completed a similar project to clarify its International Standards on Auditing (ISA’s).
3. By the first half of 2011, US GAAS and ISA’s will be converged to attempt to clarify all Statements on Auditing Standards (SAS).
4. The goal is to issue all of the clarified standards in one SAS.
 - In 1972, SAS No. 1 accomplished this when it was issued.
 - The new SAS will supersede *all* SAS’s issued previously.
5. Effective Date: Expected to apply to all audits of financial statements for periods beginning on or after December 15, 2010.
6. These six sections of , expected later, are:
 1. AU Section 322, “*The Auditor’s Consideration of the Internal Audit Function in an Audit of Financial Statements*”;
 2. AU Section 341, “*The Auditor’s Consideration of the Entity’s Ability to Continue as a going Concern*”;
 3. AU Section 625, “*Reports on the Application of Accounting Principles*”;
 4. AU Section 634, “*Letters for Underwriters and Certain Other Requesting Parties*”;
 5. AU Section 711, “*Filings Under Federal Securities Statutes*”; and
 6. AU Section 722, “*Interim Financial Information*”.
7. The effective date for these six sections is expected to be determined by spring 2010.
8. Early Implementation was determined to be not appropriate until all clarified standards are finalized and can be adopted at once.
9. The AICPA will make exposure drafts and finalized standards of each clarified standard available on its website.

**Forthcoming Changes to Government Auditing Standards
Upcoming Yellow Book Revisions**

1. Streamline with what other standard-setters have done.
2. Address issues that GAO has observed.
3. Independence Standards and corresponding Q&A guidance.
4. Exposure draft expected in June, 2010 with 90 day comment period.
5. Final 2011 Yellow Book in June 2011.