

# PR PROMPTS

Spring 2022

## Are your clients requesting new Yellow Book services?

The AICPA estimates that funding related to Coronavirus aid and relief will result in several thousand new single audits or other engagements performed under Government Auditing Standards (also referred to as the Yellow Book and GAGAS). You may be asked to perform Yellow Book engagements as your clients navigate the requirements of federal funding perhaps for the first time. Yellow Book engagements are highly specialized engagements that build on AICPA standards and add additional requirements issued by the U.S. Government Accountability Office (GAO). Please let us know if you plan to perform these services by updating your Peer Review Information (PRI) form in PRIMA to reflect Yellow Book engagements!

If your firm performs a Yellow Book engagement, it will be required to have a system review which includes a review of your firm's system of quality control and at least one Yellow Book engagement.

For more information on Yellow Book engagements, consider the following resources:

- To view the 2018 Yellow Book: [GAO Yellow Book webpage](#)
- For Yellow Book practice aids and tools, AICPA's [Governmental Audit Quality Center](#), including [Archived GAQC Web events](#)
- For an AICPA independence comparison, [Independence rules comparison: AICPA and Government Auditing Standards](#)

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## Audit Quality Indicators show importance of tone at the top

Setting the appropriate [tone at the top](#) and deploying personnel properly are among the most important factors in helping CPA firms perform quality audits, according to a survey on [audit quality indicators](#) performed by the AICPA. Click the links to learn more!

## Coming soon! New accounting standard for NFPs

ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*, is effective for annual periods beginning after June 15, 2021; check it out [here](#).

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## Peer Review Clarified Standards now in effect!

During their meeting on February 2, 2022, the Peer Review Board approved the proposed Clarified AICPA Standards for Performing and Reporting on Peer Reviews.

These standards become effective beginning with reviews commencing on or after May 1, 2022. Organized by user, including reviewed firms, you may reference the Clarified Standards at this [link](#).

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## Invest in yourself! Take the CPA Firm Top Issues Survey

If you could spend 10 minutes now to save many hours later, would that be a good investment? That's the potential payoff of participating in the AICPA's PCPS [CPA Firm Top Issues Survey](#). Help guide the development of practice management resources designed to help your firm run more effectively and efficiently. [Take the survey today!](#)



## Resources from the AICPA's EAQ initiative

### 2022 EAQ areas of focus



#### *Single Audits*

Single audit remains a focus area for 2022 as significant federal relief funding in response to the pandemic will continue to be expended by recipients. The 2021 infrastructure law will also lead to more federal dollars being subject to single audit. Numerous entities will continue to undergo single audits, with many first-time auditees. The AICPA will continue its advocacy work and focus on supporting auditors with the resources they need to perform high quality work, as well as raise awareness with auditees about the importance of selecting a qualified auditor.

#### *Risk Assessment*

Firms will have access to practice support in risk assessment and response, with a focus on SAS No. 145 awareness and interpretation, navigating heightened fraud risk in the current environment, and compliance with the extant risk assessment standard.

#### *Audit evidence and gathering evidence remotely*

In July 2020, the AICPA Auditing Standards Board issued Statement on Auditing Standards No. 142, [\*Audit Evidence\*](#). SAS No. 142 supersedes AU-C section 500, Audit Evidence, and amends various other sections of SAS 122, Statements on Auditing Standards: Clarification and Recodification, as amended. Along with the changes due to SAS No. 142, the rise of auditing remotely is putting additional focus on gathering sufficient, appropriate audit evidence using remote procedures.

#### *Auditing accounting estimates*

In 2021, failures relative to accounting estimates were the most common engagement-level deficiencies noted in practice monitoring programs worldwide ([\*IFIAR 2021 Survey of Inspection Findings\*](#)). In addition, FASB's ASU No. 2016-02, Leases (Topic 842), a major accounting change which requires critical accounting estimates, is effective for nonpublic entities with fiscal years beginning after December 15, 2021. The AICPA will continue to support auditors as they evaluate accounting estimates relative to leases and other areas in 2021.

#### *Emerging attestation engagements, including environmental, social and governance (ESG) assurance*

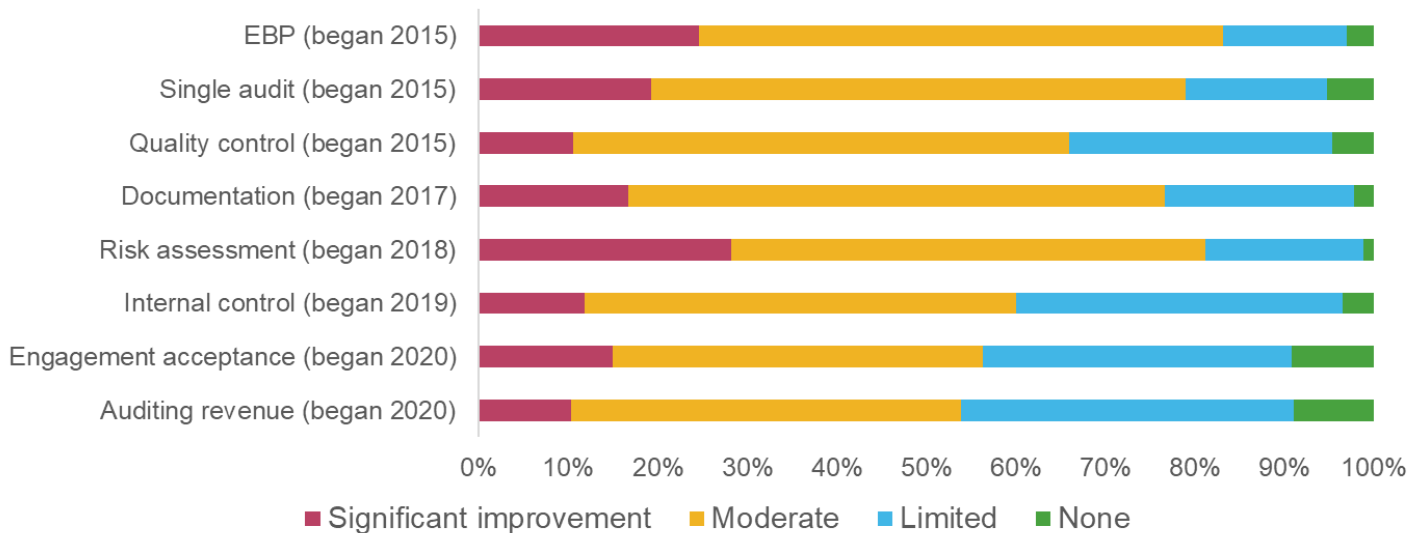
In response to stakeholder demands and potential regulatory requirements, entities are increasingly reporting on their environmental, social and governance performance in addition to financial reporting measures. As this trend is rapidly increasing, so too is the need for assurance services over this information and the systems and processes used to generate it.



## Resources from the AICPA's EAQ initiative, continued

### Peer Reviewer survey

In a 2021 survey, peer reviewers were asked, "Compared to 2018, to what degree have you seen quality improvement in the following EAQ areas of focus?". Over 250 peer reviewers responded, and the results appear below. These results are a promising sign that the EAQ initiative is having the desired effect and that the longer the peer review community and the AICPA focus on an area, the more quality improves.



### Interested in becoming a Peer Review Team or Review Captain?

As a team or review captain you'll

- Gain valuable leadership experience,
- Be able to perform another type of service for your firm, and
- Further your understanding of the requirements for a firm's system of quality control, potentially learning best practices from your peer review clients.

To become a team or review captain, an individual must first meet the [peer reviewer qualifications](#).

Additionally, there are two required initial qualification courses:

1. Complete the online, self-study peer reviewer curriculum "[Becoming an AICPA Peer Review Team or Review Captain](#)", and
2. Complete the [Case Study Application](#) companion curriculum. In 2022, the Case Study Application curriculum is being offered by the AICPA in a virtual setting on the following dates:
  - August 1, August 3, and August 5
  - October 31, November 2, and November 4

You may also check the [peer review state society learning page](#) to see if the Case Study Application curriculum is being offered in your state!

If you have any questions or would like to know more about becoming a peer review team or review captain, please contact the Peer Review Team at [prptechnical@aicpa.org](mailto:prptechnical@aicpa.org).

## New Quality Management Standards

On May 12, 2022, the ASB voted to issue Statement on Quality Management Standard (SQMS) No. 1, *A Firm's System of Quality Management*, SQMS No. 2, *Engagement Quality Reviews*, and Statement on Auditing Standards (SAS) No. 146, *Quality Management for Engagements Conducted in Accordance With Generally Accepted Auditing Standards*. A Statement on Standards for Accounting and Review Services (SSARS) will also be issued with conforming changes to the SSARS to be consistent with the SQMSs.

### *Why and how are the standards changing?*

Based upon feedback and created with the needs of firms in mind, the quality management (QM) standards are changing to a new risk-based approach that requires firms to customize the design, implementation and operation of their system of quality.

The new standards:

- Include a new risk assessment component, as well as a new information and communication component.
- Enhance monitoring and remediation requirements.
- Emphasize the responsibility of firm leadership to proactively manage quality.

### *Affected parties*

All firms that perform engagements under the SASs, Statements on Standards for Attestation Engagements (SSAEs) and SSARSs will need to comply with these changes.

### *The transition process*

SQMS No. 1 is required to be implemented by December 15, 2025. The firm is required to evaluate its system by December 15, 2026, and annually thereafter.

SQMS No. 2, SAS No. 146 and SSARS No. 26 will be effective for audits and engagements for periods beginning on or after Dec.15, 2025.

The transition process should be started now as implementing the new QM standards will take time. The Auditing Standards Board, being responsive to comments on the exposure draft, wanted to make sure firms have sufficient advance notice to identify how to fully comply and implement the standards appropriately.

Peer reviewers may be consulted during this time to help your firm develop a complete understanding of how the standards should be applied.

### *Additional information*

Changes were made to the exposure draft based on stakeholder feedback. Here are the key differences:

- Cooling off periods are not required before becoming an Engagement Quality Reviewer (EQR).
- Self-inspection is not precluded.
- The engagement report may be dated, but not released, before the EQR is completed.

### *Resources*

Resources to help firms implement the new QM standards will be available starting in June from [aicpa.org](https://aicpa.org). A four-part webinar series has been scheduled as well; you can register for any or all of them [here](#).

## Ethical Prompts

### *Attend PEEC meetings and get free CPE*

What's the easiest way to keep abreast of your ethical responsibilities while earning CPE? Joining quarterly meetings of the Professional Ethics Executive Committee.

You can [register to attend virtual PEEC meetings](#) and let us know whether you'd like CPE credit.

### *What's new in the Code of Professional Conduct?*

At its February meeting, PEEC approved updates to the code. Get details at the links. Here's a high-level overview:

- [Loans, acquisitions, and other transactions](#) – This guidance aligns the AICPA code with [SEC regulations](#) that became effective in June 2021. Changes to the AICPA code affect loans from an attest client as well as client acquisitions. Changes are effective December 31, 2022.
- [Unpaid fees](#) – The revisions to this interpretation replace the bright-line approach to determining whether unpaid fees impair independence with a principles-based approach. Changes are effective December 31, 2022.
- [Assisting attest clients with implementing accounting standards](#) – This new interpretation gives guidance on maintaining independence when helping clients navigate the complexities of getting their practices compliant with accounting standards. Changes are effective December 31, 2022.
- [Responding to noncompliance with laws and regulations](#) – For this one, there's a new interpretation for members in business as well as members in public practice. The guidance helps members know what to do when encountering either suspected noncompliance or actual noncompliance. Changes are effective June 30, 2023.

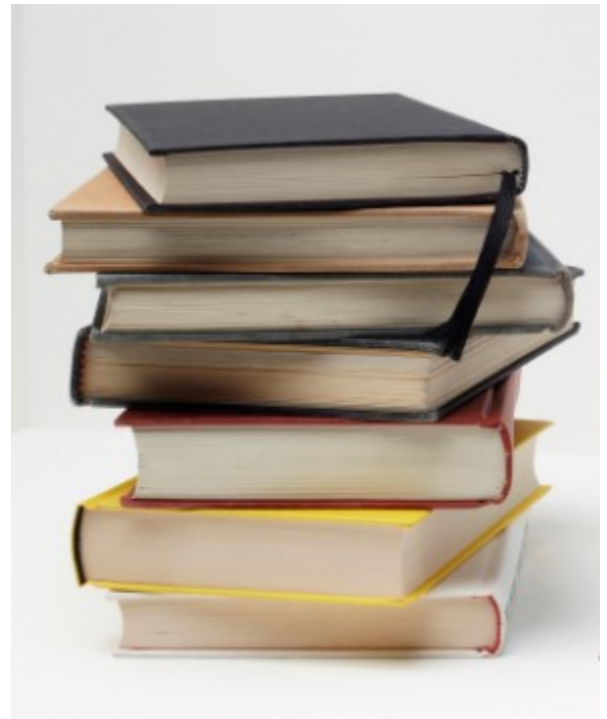
### *Get back to the basics of ethics*

Have you checked out our [Ethically Speaking podcast series](#) on the basics of the Code of Professional Conduct? This 13-episode series dives into the principles underlying the rules and interpretations of the code with engaging and fun conversations. You can scroll down to find episodes, or search for “back to basics” or “B2B.”

### *New publications to help you stay compliant with the code*

The Professional Ethics Division has been busy producing content to help you maintain your ethical responsibilities as an AICPA member. Here are the most recently published tools and aids:

- [Information systems services practice aid](#) – In May 2019, PEEC adopted revisions to the [technology-related interpretation](#), which will be effective in January 2023. The revisions affect many members and this practice aid helps with understanding permissible and prohibited services when performing attest work.
- [Independence comparison: AICPA and Government Auditing Standards](#) – It can be daunting to keep track of the requirements of different standards-setting bodies, so we put together this comparison of GAO and AICPA standards to assist you in complying with both sets of requirements when both are applicable.
- [New Qs & As](#) – Two new Qs & As address some important issues with client affiliates. You'll find them at the bottom of page 17, and they cover what “reasonable period of time” means and how the “Affiliates” and “Client Affiliates” interpretations apply to



### *Find all your AICPA ethics content in one spot*

You may be familiar with the [online AICPA Code of Professional Conduct](#). This month, we'll begin adding other content to that library, such as Qs & As, practice aids, case studies, enforcement statistics... all the content the Professional Ethics Division produces to help guide your adherence to the code in one place for ease of access.



## Digital Assets

### Derivatives, Crypto Lending, and Mining: The answers you need

The world of digital assets is ever evolving with more challenging scenarios, use cases, and revenue streams. Knowing the appropriate accounting in these complicated circumstances is an integral part of gaining the confidence that the financial statements are not materially misstated. In the newly updated version of the [Practice Aid: Accounting for and Auditing of Digital Assets](#), learn answers to questions such as:

- Does my asset, representing the right to receive a fix quantity of crypto assets, contain an embedded derivative?
- How should a lender and borrower account for a loan that involves crypto assets?
- What is the difference between the accounting for transaction fees and block rewards for an entity that operates as a crypto asset miner?
- How do entities who are involved with mining pools account for those arrangement?

In order to address financial reporting and auditing challenges, the AICPA's Digital Assets Working Group continues to develop nonauthoritative accounting and auditing guidance to help financial statement preparers and auditors who are operating in the digital asset space. The Practice Aid includes the following topics:

Accounting	Auditing
<ul style="list-style-type: none"><li>• Classification, measurement, recognition, and derecognition when an entity purchases or sells digital assets</li><li>• Specialized accounting for investment companies and broker dealers when engaging in digital asset activities</li><li>• Considerations for crypto assets that require fair value measurement</li><li>• Accounting for stablecoin holdings</li><li>• Derivatives</li><li>• Crypto lending and borrowing</li><li>• Mining</li></ul>	<ul style="list-style-type: none"><li>• Client Acceptance and Continuance</li><li>• Risk Assessment and Processes and Controls</li><li>• Laws and Regulations and Related Parties</li></ul>

The Practice Aid was originally issued in [2019](#) and is updated periodically with new topics and content, to provide nonauthoritative guidance on how to account for and audit digital assets under U.S. generally accepted accounting principles for nongovernmental entities and generally accepted auditing standards, respectively. It is intended for those with a fundamental knowledge of blockchain technology and is based on existing professional literature and the experience of members of the Digital Assets Working Group.

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## Standards

### SAS No. 136, *Forming an Opinion and Reporting on Financial Statements of Employee Benefit Plans Subject to ERISA, as amended*

The EBP SAS prescribes certain new performance requirements for an audit of financial statements of employee benefit plans subject to the Employee Retirement Income Security Act of 1974 (ERISA) and changes the form and content of the related auditor's report. SAS No. 136 is effective for audits of financial statements for periods ending on or after December 15, 2021. Early implementation is permitted. Refer to the [Fall 2021 edition of PR Prompts](#) for further information.

