

THE PPC GOVERNMENTAL UPDATE

JUNE 2022, VOLUME 29, NO. 6

GASB Issues Omnibus 2022: What's Changing?



In April, the GASB issued GASBS No. 99, *Omnibus 2022*, 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 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 amendment for derivative amendments and financial guarantees is effective for reporting periods beginning after June 15, 2023, with earlier application encouraged.*

Clarification of Provisions in GASBS No. 87, *Leases*

The 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 amendments are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter, with earlier application encouraged.*

Clarification of Provisions in GASBS No. 96

Paragraph 9 of GASBS No. 96 has conflicting guidance on the option to terminate a subscription-based information technology arrangement (SBITA) contract. The amendment updates the guidance to clarify when an option to terminate an unconditional right 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

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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 amendment is 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 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 amendment is 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 amendment is effective upon issuance.*

Disclosures Related to Nonmonetary Transactions

The 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 amendment is 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 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 amendment is 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 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 amendment is effective upon issuance.*

Terminology Used in GASBS No. 53 to Refer to Resource Flows Statements

In paragraphs 20, 23, and 52 and footnote 7 of GASBS No. 53, as amended, the term *flow of resources statement* is replaced by *resource flows statement*.

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 GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, was identified. The 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 amendment is effective upon issuance.

Practical Consideration:

The full text of GASBS No. 99 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.



OMB Issues the 2022 Compliance Supplement

For the past several years, the Office of Management and Budget (OMB) has struggled to release the annual Compliance Supplement in a timely manner, causing difficulties and confusion for practitioners performing single audits. This situation was exacerbated by the significant amount of COVID-19-related funding, resulting in new and expanded award programs. As a result, the compliance audit community was pleasantly surprised when on May 11, 2022, the OMB issued the 2022 edition of the OMB Compliance Supplement. The 2022 Compliance Supplement is effective for audits of fiscal years beginning after June 30, 2021, and supersedes the 2021 Compliance Supplement, including its December 2021 and January 2022 addenda and April 2022 technical correction. There is no addendum expected for the 2022 Compliance Supplement.

Practical Consideration:

The 2022 Compliance Supplement is available at www.whitehouse.gov/wp-content/uploads/2022/05/2022-Compliance-Supplement_PDF_Rev_05.11.22.pdf.

Highlights

Appendix V lists the changes made to the 2022 Compliance Supplement in detail. The following paragraphs highlight some of the key changes.

Part 2—Matrix of Compliance Requirements

Current year changes, which are minimal compared to recent years, are shown with yellow highlights. They include the addition of seven new programs and the deletion of nine previous programs. The six-compliance requirement mandate that was first introduced in the 2019 Compliance Supplement remains in effect. *This six-compliance requirement mandate continues to not apply to programs not included in the Compliance Supplement.*

Part 4—Agency Program Requirements and Part 5—Clusters of Programs

Updates reflect program additions and deletions (including additions and deletions within certain clusters), program title changes, COVID-19 and statutory requirement updates, reference updates, and technical changes and corrections.

Appendix IV—Internal Reference Tables

Appendix IV includes an enlarged list of programs designated as higher risk and denotes with a single asterisk or a double asterisk which programs are considered 100% COVID-19-related funding and which are existing programs that received additional COVID-19-related funding, respectively. Appendix IV states that auditors are not precluded from determining that a program or other cluster that has been designated as higher risk qualifies as a low-risk Type A program if both of the following criteria are met:

- The program otherwise meets the criteria for a low-risk Type A program under 2 CFR 200.518 and
- The percentage of COVID-19-related funding in the program or other cluster during the nonfederal entity's fiscal year is not material to the program or other cluster as a whole. (Appendix IV of the 2022 Compliance Supplement provides several examples.)

Note that the inclusion of COVID-19-related funding within the Research and Development (R&D) cluster does not create a higher risk for the R&D cluster.

Appendix IV states that there are no changes to the normal risk assessment process for Type B programs identified as higher-risk by a federal agency with the concurrence of OMB. That is, the higher risk identification is considered with the other factors in 2 CFR section 200.519, clarifying that auditors are not required to prioritize the assessment of Type B programs designated as higher risk over other Type B programs.

Auditors should prepare audit documentation supporting the risk considerations and conclusions for higher risk program determination.

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Appendix VII—Other Audit Advisories

Updated section I, Novel Coronavirus (COVID-19), includes additional guidance on COVID-19 funding.

Subsections include:

- Definition of COVID-19 funding
- Treatment of donated personal protective equipment on the schedule of expenditures of federal awards (SEFA)
- Agency guidance document references
- Identification of COVID-19-related awards in various documents and single audit applicability
- Identification of compliance requirements for COVID-19-related awards
- Responsibilities for informing subrecipients
- Alternative Compliance Examination Engagement for Eligible Coronavirus State and Local Fiscal Recovery Funds (SLFRF) Recipients (We will cover this topic in detail in the next edition of this newsletter.)

There is also a new section VII, Federal Audit Clearinghouse Transition from Census to GSA, which indicates that the provider of the Federal Audit Clearinghouse will change from the U.S. Census Bureau (Census) to the U.S. General Services Administration (GSA) on October 1, 2022. Single audits with fiscal periods ending in 2021 or earlier should be submitted to Census, which will continue to receive and process single audits for a limited period of time after September 30, 2022. Single audits with fiscal periods ending in 2022 will be submitted to

the GSA beginning on October 1, 2022. 2 CFR 200.512(1) states that single audits must be submitted within the earlier of either 30 calendar days after receipt of the auditor’s report(s) or nine months after the end of the audit period. Therefore, if it is not possible to meet the 30-calendar day requirement due to the timing of this transition, audits will not be considered late if they are submitted within nine months after the fiscal period end date.

Practical Consideration:

PPC’s SMART Practice Aids™—Single Audit Suite allows the auditor to plan and execute the single audit engagement from beginning to end—including preparation and electronic signoff of practice aids, federal award audit programs, and compliance audit programs. In addition, it automates the process of determining major programs; low-risk auditee status; and appropriate compliance requirements, objectives, and audit procedures, and prepares the compliance audit program and SEFA. Information about additional features, including automated rollforward from year to year and a federal award import feature, is available by calling (800) 431-9025 or visiting tax.tr.com.

