



COMMITTEE UPDATE

Accounting, Auditing, and Financial Reporting Committee Tackles Best Practices, Updates, and More

BY TODD BUIKEMA

When GFOA's standing Accounting, Auditing, and Financial Reporting Committee (AAFRC) met on June 4, 2022, in Austin, Texas, members spent the majority of their time reviewing and finalizing two new best practices and updates to 11 existing best practices, based on recommendations developed by committee taskforces. The AAFRC voted to recommend that GFOA's executive board approve the new and updated best practices at their fall meeting. As part of the best practice review, the committee created two groupings, or suites, of related best practices, one for the best practices that pertain to grants and another for those that pertain to internal controls.

Committee members also spent time discussing the most pressing accounting, auditing, and financial reporting issues facing the governments they serve. Frequently mentioned topics included significant staffing issues, inflation, supply chain issues, difficulty in implementing new lease-

and subscription-based information technology arrangements standards from the Governmental Accounting and Standards Board (GASB), homelessness, and the availability of affordable housing.

AAFRC members were also updated on the activities of the State and Local Government Expert Panel (SLGEP) of the American Institute of Certified Public Accountants by Michelle Watterworth, the SLGEP Chair and a partner in Plante Moran. Watterworth informed committee members about changes in auditing standards that affect state and local governments, including how auditors will obtain audit evidence, new responsibilities for auditing accounting estimates, and new requirements for understanding each government being audited and assessing the risk of material misstatements. Watterworth also discussed some of the current challenges in performing single audits, including numerous entities needing a single audit for the first time and a lack of guidance about requirements

that apply to new COVID-19 grants, and frequent changes being made to the guidance that is available—all of which have caused delays in completing single audits.

Finally, GASB Chairman Joel Black and GASB Director of Research and Technical Activities Alan Skelton updated members on GASB's current technical plan, and the issuance of a whitepaper on environmental, social and governance (ESG) issues that points to intersections between ESG and current authoritative literature. The AAFRC also learned about a new exposure draft on certain risk disclosures that will be issued for public comment and three pronouncements that were approved for issuance, including two final statements, GASB Statement No. 100, *Accounting Changes and Error Corrections*, and No. 101, *Compensated Absences*, along with a new Concepts Statement, No. 7, which modifies concepts applicable to note disclosures. [\[4\]](#)

Todd Buikema is assistant director for publications in GFOA's Technical Services Center.