

How to Use This Manual

PURPOSE OF THE SERVICE

State and local governmental units operate within the accounting, financial reporting, and auditing standards established by a wide range of organizations. In effect, the standards promulgated by these organizations influence the allocation of resources and prescribe the degree to which laws and regulations are satisfied, and they supply information to taxpayers and other providers of resources on the amount and use of such resources.

A problem for many state and local governmental units is how to remain current with the increasing number of releases from the authoritative standards setters, and the pace is not slowing. The *Accounting, Financial Reporting, and Auditing Service* is a centralized source of authoritative standards for states and local governmental entities.

This new service combines two previous services: *State & Local Government Financial Reporting Service* and *State & Local Government Accounting and Auditing Service*. By combining and streamlining the two services, duplications between the two are eliminated and the usefulness of the service is improved. For example, government accountants and preparers of financial statements can see the applicable accounting and financial reporting standards and also learn the auditor's objectives for particular issues. The parts and sections of the service are cross-referenced for easy use. Thus, the accountant and preparer can know not only what to do and how to do it, but also what the auditor may look for. The auditor can know what the client should have done and how to audit it.

The service covers accounting, financial reporting, and auditing standards and requirements published by the following authoritative bodies:

- Governmental Accounting Standards Board (GASB)
- American Institute of Certified Public Accountants (AICPA)
- U.S. Government Accountability Office (GAO)
- U.S. Office of Management and Budget (OMB)

The service is a one-stop reference for accounting, financial reporting, and auditing requirements for state and local governments. It does not include the full text of the original pronouncements. Rather, it provides an overview of important issues and a reference to the original pronouncements where more detailed information can be found. If you know of a particular pronouncement but do not know how to find out more about it, you can use this service to find a summary of its requirements and references to its inclusion in authoritative pronouncements. For example, if you have heard of GASB Statement No. 34 but are not familiar with what it covers, you can look at Part 1 to get an overview. Then, after learning that it provides the requirements for financial reporting of state and local governments, you can look at Part 2 for an overview of the financial reporting requirements and audit objectives. Additional audit objectives, requirements, and procedures can be found in Parts 3 and 4. To use this service fully, you must obtain and review the referenced authoritative pronouncements.

Governmental accounting and financial reporting have a long history, beginning with the National Committee on Municipal Accounting, which eventually evolved into the National Council on Governmental Accounting (NCGA). NCGA has been replaced by the Governmental Accounting Standards Board, but some of the NCGA guidance remains in effect. The NCGA and GASB standards have been revised numerous times and continue to be revised. In addition, GASB issues an annual Comprehensive Implementation Guide that provides questions and answers on how to apply specific accounting and financial reporting standards. Certain guidance issued by the American Institute of Certified Public Accountants also provides generally accepted accounting and financial reporting guidance, in addition to auditing guidance. Applicable NCGA, GASB, and AICPA requirements for accounting and financial reporting are covered in Parts 1 and 2 of this service.

Governmental auditing also has a long history. The AICPA standards and GAO's *Government Auditing Standards* have undergone a multitude of revisions and continue to be revised. The AICPA also issues audit guides to help implement the accounting, financial reporting, and auditing standards and requirements. These guides are periodically updated. The U.S. Office of Management and Budget sets forth requirements for audits of entities' compliance with federal program laws and regulations. These requirements are also revised periodically. AICPA, GAO, and OMB auditing pronouncements are covered in Parts 3 and 4 of this service.

For all these accounting, financial reporting, and auditing requirements, this service provides current requirements and will keep you informed of changes. The service provides a handy reference for quickly identifying authoritative pronouncements through the use of summaries, lists, and convenient cross-references.

ORGANIZATION OF THE SERVICE

Part 1 provides an overview of all the original pronouncements that currently constitute the body of state and local governmental accounting and financial reporting standards. Specifically, Part 1 includes the following sections, each with its own table of contents:

- Section 1.1 — National Council on Governmental Accounting Statements
- Section 1.2 — NCGA Interpretations
- Section 1.3 — AICPA Industry Audit Guide and Statements of Position
- Section 1.4 — Governmental Accounting Standards Board Statements
- Section 1.5 — GASB Interpretations
- Section 1.6 — GASB Technical Bulletins
- Section 1.7 — GASB Concepts Statements

Part 2 provides an overview of GASB's codification of currently effective accounting and financial reporting pronouncements for state and local governments. The codification integrates the original pronouncements into specific issues related to general principles, financial reporting, specific balance sheet and operating statement items, and stand-alone reporting for specialized units and activities. Part 2 also provides an overview of GASB's Comprehensive Implementation Guide, which consists of questions and answers on how to implement certain pronouncements. Specifically, Part 2 includes the following sections, each with its own table of contents:

- Section 2.1 — GASB Codification
- Section 2.2 — GASB Comprehensive Implementation Guide

Part 3 provides an overview of the AICPA's codification of currently effective auditing standards. These standards are incorporated by reference in *Government Auditing Standards* for financial audits. Part 3 also provides an overview of the AICPA audit and accounting guide *Audits of State and Local Governments (GASB 34 Edition)* and the Audit Risk Alert for State and Local Governments. Specifically, Part 3 includes the following sections, each with its own table of contents:

- Section 3.1 — AICPA Auditing Standards Codification
- Section 3.2 — AICPA State and Local Government Audit Guide
- Section 3.3 — AICPA State and Local Government Audit Risk Alert

Part 4 provides an overview of *Government Auditing Standards*, the Single Audit Act and OMB Circular A-133, the Circular A-133 Compliance Supplement, and the AICPA audit and accounting guide *Government Auditing Standards and Circular A-133 Audits*. These standards and requirements must be followed in certain audits of state and local governments. Part 4 also provides an overview of the AICPA Audit Risk Alert for Government Auditing Standards and Circular A-133 Audits. Specifically, Part 4 includes the following sections, each with its own table of contents:

- Section 4.1 — Government Auditing Standards
- Section 4.2 — Single Audit Act Amendments of 1996, OMB Circular A-133, and the OMB Circular A-133 Compliance Supplement
- Section 4.3 — AICPA Audit Guide on Government Auditing Standards and Circular A-133 Audits
- Section 4.4 — AICPA Audit Risk Alert for Government Auditing Standards and Circular A-133 Audits