



## **Introduction**

The following is a discussion of the hierarchy of authoritative accounting sources and a list of publications and other resources the independent auditor may need in conducting financial and compliance audits for units of local government, public authorities and local school administrative units in North Carolina.

## **Hierarchy of Authoritative Sources**

It should be noted that the Governmental Accounting Standards Board (GASB) is the primary authoritative source of generally accepted accounting principles for state and local governments. The GASB is the successor organization to the National Council on Governmental Accounting (NCGA). According to GASB Statement No. 1, all of the statements and interpretations promulgated by the NCGA and in effect at the issuance of GASB Statement No. 1 are still considered to be in effect until altered, amended or superseded by the GASB. GASB is designated by the Council of the American Institute of Certified Public Accountants as the body to establish financial accounting principles for state and local entities pursuant to rule 203 of the AICPA's Code of Professional Conduct (ET section 203.1).

GASB statements and interpretations are considered the highest than any other source of authoritative guidance for state and local governments. [GASB Statement No. 76, \*The Hierarchy of General Accepted Accounting Principles for State and Local Governments\*](#), (effective for periods beginning after June 15, 2015), has identified various sources and has arranged them into two-levels:

- a. Officially established accounting principles – GASB Statements (Category A)
- b. GASB Technical Bulletins; GASB Implementation Guides; and literature of the AICPA cleared by the GASB (Category B)

Category A standards, including GASB Interpretations previously issued and currently in effect, are subject of the Accounting Principles Rule of the AICPA's Code of Professional Conduct. GASB Statement No. 76 does not affect the application of that rule.

Authoritative material from the GASB Implementation Guides is incorporated periodically into GASB's *Comprehensive Implementation Guide*, and when presented in the *Comprehensive Implementation Guide*, this material retains its authoritative status.

In addition, literature specifically made applicable to state and local governmental entities contains a statement that indicates that it has been cleared by the GASB in accordance with the GASB's Rules of Procedure.

Sources of nonauthoritative accounting literature include GASB Concepts Statements; pronouncements and other literature of the Financial Accounting Standards Board, Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB; practices that are widely recognized and prevalent in state and local government; literature of other professional associations or regulatory agencies; and accounting textbooks, handbooks, and articles.



## Department of State Treasurer – Audit Manual for Local Governments

Authoritative Accounting and Auditing and Other Professional Resources

The issuance of SAS No. 69, that has since been withdrawn, caused some confusion among financial statement preparers and auditors about the applicability of FASB pronouncements to the accounting and financial reporting for proprietary activities. The issuance of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* addresses this issue. Previously, GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, stated that proprietary fund activities should apply all applicable GASB pronouncements as well as FASB

Statements and Interpretations, APB Opinions, and Accounting Research Bulletins, if these pronouncements were issued on or before November 30, 1989 and did not conflict or contradict GASB guidance. GASB Statement No. 20, paragraph 7, gave units two options in applying the hierarchy rule: the unit could apply all FASB guidance issued subsequent to November 30, 1989 (unless this guidance conflicts or contradicts with GASB guidance) or the unit may elect to apply none of the FASB guidance issued subsequent to that cutoff date. With the issuance of GASB Statement No. 62, this election has been eliminated. However, those units can continue to apply post-November 30, 1989 FASB pronouncements that do not conflict or contradict GASB pronouncements.

Authoritative auditing guidance relevant to governmental units may be found in pronouncements that apply to both those specific to governmental units, such as GASB Statements mentioned earlier and nongovernmental entities. The AICPA's Statements on Auditing Standards (SASs) and the AICPA *Code of Professional Conduct* are generally applicable to governmental audits. Within this general AICPA literature are some documents specific to governmental units. Specific auditing literature has been issued by the U.S. Congress, the U.S. Government Accountability Office (GAO), and the Offices of Management and Budget. It is recommended that audit firms have a system in place to ensure staff members are informed about relevant, current authoritative literature.

### Applicable Reference Materials

The following is a listing of publications and other sources of information that the independent auditor and others may find useful.

#### General Assembly of North Carolina

Web site: <http://www.ncga.state.nc.us>

Web site provides links to the [North Carolina General Statutes](#), the [North Carolina Session Laws](#) and the [North Carolina State Constitution](#). Local government finance is included in [Chapter 159](#) of the North Carolina General Statutes.

#### North Carolina Department of State Treasurer Publications Web site:

<http://www.nctreasurer.com/>

For Local Government Commission (LGC) information, under divisions, select "State and Local Government" then "Local Fiscal Management" for links to the following reference materials:

[Policies Manual for Local Governments](#)



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Authoritative Accounting and Auditing and Other Professional Resources

### North Carolina Department of State Treasurer Publications (Continued)

[Audit Manual](#)

[Sample Financial Statements](#)

[Single Audit Resources](#)

[County and Municipal Fiscal Analysis](#) -a management tool that helps local governments in North Carolina analyze and communicate their financial condition

[County and Municipal Financial Data](#)-provides information on how counties and municipalities receive and expend funds on a functional basis

#### **“The State Single Audit Implementation Act”**

**The State Single Audit Implementation Act** is codified at [G.S. 159-34\(c\)](#) - Annual Independent Audit; Rules and Regulations

#### **State Compliance Supplements:**

State Compliance Supplements are available at [Single Audit Resources](#).

#### **Contact information:**

Fiscal Management Section  
N.C. Department of State Treasurer [3200 Atlantic Avenue, Longleaf Building](#)  
Raleigh, North Carolina [27604](#)

Telephone: [919-814-4299](#) Fax: [919-855-5812](#)

### Department of Public Instruction publications

Web sites: <http://www.ncpublicschools.org>  
<http://www.ncpublicschools.org/fbs/finance/>  
<http://www.ncpublicschools.org/fbs/charterschools/>

Available reference materials include:

*North Carolina Public School Laws (Through the [2017 Session](#))*

[Financial Guide for Charter Schools](#)

#### **Contact information:**

NCDPI Publications 6306 Mail Service Center Raleigh, NC 27699-6306

Telephone: 919-807-3470 **OR** 800-663-1250 (toll free inside North Carolina)

Fax: 919-807-3481

E-mail: [publications@dpi.nc.gov](mailto:publications@dpi.nc.gov)

Ordering Information: <http://www.ncpublicschools.org/publications/>  
Financial and Business Services [Directory](#)



## Department of State Treasurer – Audit Manual for Local Governments

Authoritative Accounting and Auditing and Other Professional Resources

### Governmental Accounting Standards Board (GASB) publications

Web site: <http://www.gasb.org/>

#### **Contact information:**

Governmental Accounting Standards Board 401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116

Telephone: 203-847-0700 Fax: 203-849-9714

Telephone, Order Dept: 800-748-0659 Fax: 203-847-6045

E-mail: [gasbps@gasb.org](mailto:gasbps@gasb.org)

### Statements on Auditing Standards (SAS) and related auditing interpretations

Web site: <http://www.aicpa.org/Publications/AuthoritativeStandards/Pages/default.aspx>

Through the Clarity Project, the AICPA's Auditing Standards Board (ASB) issued changes resulting from its effort to clarify the U.S. generally accepted auditing standards (GAAS). This project sought to use standard methods to organize, format and clarify GAAS so they are easier to read, understand and implement. At the same time, the group merged these standards with the International Standards on Auditing. As a result, SAS No. 122 *Statements on Auditing Standards: Clarification and Recodification* was issued. Note in the clarified standards that "AU-C" section numbers are used instead of the normal "AU" section numbers.

*The AICPA Professional Standards*, offered in a variety of formats, contains all of the outstanding pronouncements on professional standards issued by the AICPA and the Public Company Accounting Oversight Board Standards. *Codification of Statements on Auditing Standards*, as of January 2016, includes the latest amendments and conforming changes for statements on auditing standards (SAS) and standards for attestation engagements (SSAE).

**AU-C sections are listed here:** [Clarified Statements on Auditing Standards](#)

#### **Industry Audit Guides and Other Publications offered by the AICPA:**

*State and Local Governments - AICPA Audit and Accounting Guide (2017)*

*Government Auditing Standards and Single Audits - AICPA Audit Guide (2017)*

*Government Auditing Standards and Single Audit Developments - Audit Risk Alert (2016/17)*

*2011 Yellow Book Independence-Non Audit Services Documentation Practice Aid – (2012)*

*Health Care Entities- AICPA Audit and Accounting Guide (2016)*



## Department of State Treasurer – Audit Manual for Local Governments

Authoritative Accounting and Auditing and Other Professional Resources

### **Contact information:**

American Institute of Certified Public Accountants  
220 Leigh Farm Road  
Durham, NC 27707-8110

Telephone: 888-777-7077 **OR** 919-402-4500 Fax: 800-362-5066  
E-mail: [service@aicpa.org](mailto:service@aicpa.org)  
Order online: <http://cpa2biz.com>

### **Financial Accounting Standards Board (FASB)**

Web site: <http://www.fasb.org>

Available reference materials include:

FASB [Codification Bound Edition- Four Volumes and online \(October 31, 2016\)](#)

### **Contact Information:**

Financial Accounting Standards Board 401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Telephone: 203-847-0700 Fax: 203-849-9714

For online store:

Telephone: 800-748-0659 Fax: 203-847-0700

E-mail: [fasbps@fasb.org](mailto:fasbps@fasb.org)

Order online: <https://www.fasb.org/store> (free download of FASB

Pronouncements and free access to the FASB Accounting Standards Codification®  
Basic View)

### **Governmental Accountability Office (GAO) Publications**

Web site: <http://www.gao.gov/>

Available reference materials include:

*Government Auditing Standards*, issued by the Comptroller General of the United States (Revised December 2011) (GAO-12-331G) (commonly referred to as “The Yellow Book”)

The printed or e-book version of the December 2011 revision of *Government Auditing Standards* can be ordered online through the [U.S. Government Bookstore](#) or by calling 202-512-1800 or 866-512-1800.

For questions related to Government Auditing Standards:

Telephone: 202-512-9535

E-mail: [yellowbook@gao.gov](mailto:yellowbook@gao.gov)



## Department of State Treasurer – Audit Manual for Local Governments

Authoritative Accounting and Auditing and Other Professional Resources

### Governmental Accountability Office (GAO) Publications (Continued)

For a pdf copy of The Yellow Book and for links to numerous important and helpful Yellow Book resources, many of which are available only electronically, go to: [www.gao.gov/govaud/ybk01.html](http://www.gao.gov/govaud/ybk01.html)

The Government Auditing Standards resources available include the following:  
Summary of Major Changes/Listing of Technical Changes:

*Government Auditing Standards, 2017 Exposure Draft*, issued by the Comptroller General of the United States (GAO-17-313SP, April 2017)

*Government Auditing Standards: Guidance on GAGAS Requirements for Continuing Professional Education* (GAO-05-568G, April 2005)

The United States Code codifies the general and permanent laws of the United States. It may be searched by citation, popular name, public law, etc: <https://www.gpo.gov/fdsys/browse/collectionUSCode.action?collectionCode=USCODE>

Single Audit Act of 1984 (31 U.S.C. 7501-7507)

Single Audit Act Amendments of 1996 (Public Law 104-56)

Federal Financial Management Improvement Law of 1996 (Public Law 104-208)

The Catalog of Federal Domestic Assistance (CFDA), which is maintained by the General Services Administration, provides a full listing of all Federal programs available to State and local governments.

Web site: <https://www.cfda.gov/>

#### **Contact Information:**

Superintendent of Documents  
U. S. Government Printing Office

Web site: <http://www.gpo.gov/>

Telephone: 202-512-1800 OR 866-512-1800 Fax: 202-512-2104

Ordering Information: <http://bookstore.gpo.gov/help/ordering.jsp>

E-mail: [gpoaccess@gpo.gov](mailto:gpoaccess@gpo.gov)

### U. S. Office of Management and Budget (OMB) Documents

Web site: [https://www.whitehouse.gov/omb/grants\\_docs](https://www.whitehouse.gov/omb/grants_docs)

The Office of Management and Budget's (OMB) *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (commonly called "Uniform Guidance") was officially implemented December 26, 2014. The Uniform Guidance was drawn from the previous OMB circulars. The full text of the OMB Uniform Guidance can be found at this link: [eCFR — Code of Federal Regulations](https://www.eCFR.com/public/title49/chapter1/subchapter1/part201/section201.101.html)



## Department of State Treasurer – Audit Manual for Local Governments

Authoritative Accounting and Auditing and Other Professional Resources

### U. S. Office of Management and Budget (OMB) Documents (Continued)

OMB designated the Census Bureau as the National Clearinghouse (or Federal Audit Clearinghouse or FAC) for the receipt of Single Audit Reports from state and local governments. The FAC serves as the central collection point and repository for audit reports prepared and submitted under provisions of the Single Audit Act of 1984 (amended in 1996) and [Uniform Guidance](#).

Information regarding submission of Single Audit Reports to the Federal Audit Clearinghouse, as well as links to additional Single Audit reference materials, is available at the following website: <https://harvester.census.gov/facdissem/main.aspx>

#### Contact Information:

The Office of Management and Budget  
725 17th Street, NW  
Washington, D.C. 20503

Telephone: 202-395-3080 Fax: 202-395-3888

Federal Audit Clearinghouse:

Telephone: [866-306-8779](tel:866-306-8779)

### U.S. Department of Housing and Urban Development (HUD) Documents

Web site: <http://portal.hud.gov/hudportal/HUD>

The HUD Real Estate Assessment Center's (REAC) mission is to provide and promote the effective use of accurate, timely and reliable information assessing the condition of HUD's portfolio; to provide information to ensure safe, decent and affordable housing; and to restore the public trust by identifying fraud, abuse and waste of HUD resources.

Available reference materials include:

HUD PHA GAAP Conversion Guide (Updated January 31, 2000)-assist public housing authorities in converting their annual financial statements from HUD's basis of accounting to GAAP: [http://www.hud.gov/offices/reac/pdf/fass\\_gaapcon.pdf](http://www.hud.gov/offices/reac/pdf/fass_gaapcon.pdf)

Real Estate Assessment Center Documents and Guidance including current versions of the following publications:

[\*External User Guide\*](#)- Provides information to facilitate the required electronic submission of Financial Data Schedules (FDS) and supplemental Data Collection Forms (DCF) under the Financial Assessment Subsystem for Public Housing Authorities

[\*Financial Data Schedule Line Definition Guide for Fiscal Year Ending June 30 2008 and later \(Updated May 2012\)\*](#)

[\*Guidelines and Reporting and Attestation Requirements of Uniform Financial Reporting Standards-UFRS \(Updated May 2002\)\*](#)



**U.S. Department of Housing and Urban Development (HUD) Documents  
(Continued)**

Public Housing Authority GAAP Flyers- A series of brief discussions of accounting issues specifically affecting public housing authorities:

[GAAP Flyers No.1 through No.6](#)

Accounting Briefs- A series of brief discussions of auditing issues specifically affecting public housing authorities:

[Accounting Briefs No.1 through No.13](#)

**Contact Information:**

U.S. Department of Housing and Urban Development (HUD)  
451 7<sup>th</sup> Street, SW  
Washington DC 20410

Telephone: 202-708-1122

Public and Indian Housing-Real Estate Assessment Center Technical Assistance:  
U.S. Department of Housing and Urban Development (HUD)  
Office of Public and Indian Housing  
Real Estate Assessment Center  
550 12<sup>th</sup> Street, SW Suite 100  
Washington, DC 20410

Telephone: 888-245-4860

Web site: [www.hud.gov/offices/reac/index.cfm](http://www.hud.gov/offices/reac/index.cfm)

E-mail: [REAC\\_TAC@hud.gov](mailto:REAC_TAC@hud.gov)

**Government Finance Officers Association (GFOA) Publications**

Web site: <http://www.gfoa.org/>

A variety of publications and reference materials are available. The GFOA has also developed body of recommended practices in the functional areas of public finance. Some of the reference materials and publications include the following:

[Governmental Accounting, Auditing, and Financial Reporting](#), Gauthier  
(2014 edition) (Known as the “Blue Book”)

*What Everyone Needs to Know About the New Fund Balance*, Gauthier, (2009)

Best Practices and Advisories: ([Best Practices](#))

**Contact Information:**

Government Finance Officers Association  
203 North LaSalle Street, Suite 2700  
Chicago, Illinois 60601-1210

Telephone: 312-977-9700





## *Department of State Treasurer – Audit Manual for Local Governments*

Authoritative Accounting and Auditing and Other Professional Resources

### **School of Government Publications**

Web Site: <http://www.sog.unc.edu/>

The School of Government at the University of North Carolina at Chapel Hill offers a wide variety of publications, courses, programs and services of interest to local government elected officials, managers and others. A [Faculty and Staff Directory](#) including areas of specialization and contact information is provided.

Publications may be available in PDF format, in loose-leaf format, or CD-ROM, or as view-only PDF files (which you may view on your computer and save for future viewing, but will not be able to print), and in some cases as free PDF files. These publications can be found at the following links: [Local Government Finance](#), [Purchasing and Contracting](#)

#### Contact Information

School of Government  
Campus Box 3330 Knapp-Sanders Building  
UNC-Chapel Hill  
Chapel Hill, North Carolina 27599-3330

Telephone: 919-966-4119 Fax: 919-962-2709

Order online: <http://shopping.netsuite.com/s.nl/c.433425/sc.7/category.-107/.f>