



Route To:	
<input type="checkbox"/> Partners	<input type="checkbox"/> Staff
<input type="checkbox"/> Managers	<input type="checkbox"/> File

LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC’s Guide to Internal Control Communications

Thirteenth Edition (March 2019)

Highlights of This Edition

The following are some of the important new features of the 2019 Edition of *PPC’s Guide to Internal Control Communications*:

- **New Significant Deficiency and Material Weakness Comments.** This *Guide* provides more than 1,000 illustrative internal control deficiency comments. The comments are organized in categories that generally parallel the audit areas in a typical audit of a nonpublic company. Illustrative comments are also provided for areas such as the control environment, management’s risk assessment, information and communication process, monitoring, and information technology controls. In addition, there are certain comments specifically tailored for your employee benefit plans, nonprofit organizations, and governmental clients. Among other items, in the current edition, we have provided new or revised comments relating to leases, revenue recognition, and privacy and data protection.
- **Evaluations of the Severity of Identified Deficiencies.** This *Guide* is designed to assist auditors of nonpublic entities with identifying and communicating certain deficiencies identified during an audit. While you follow the guidance in AU-C 265 in such engagements, auditors of public companies follow the Public Company Accounting Oversight Board (PCAOB) guidance in the Auditing Standard 2201 (AS 2201), *An Audit of Internal Control Over Financial Reporting That Is Integrated with An Audit of Financial Statements*. Periodically, PCAOB publishes observations derived from its inspections to help auditors understand the problems encountered by others when identifying and evaluating the severity of deficiencies. While the guidance is geared toward auditors of public companies, the authors believe many of the observations, particularly those related to evaluations of the severity of identified deficiencies, can also serve as helpful guidance for auditors of nonpublic companies. Therefore, we have included in your *Guide* a discussion of the problems encountered by auditors when evaluating the severity of identified deficiencies in integrated public company audits.
- **Illustrative Case Studies and Practice Aids.** This *Guide* provides two case studies that illustrate workpaper documentation of internal control deficiencies, evaluating the severity of the identified deficiencies, and sample letters communicating the deficiencies to management and those charged with governance in accordance with AU-C 265. In addition, this *Guide* provides the illustrative checklists and communication letters needed to document internal control deficiencies.

In addition to these featured items, your *Guide* includes the following update items detailed below.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 1 Introduction and Overview	1. Added a footnote discussing the AICPA’s Omnibus Statement on Auditing Standards—2019. Due to the delayed effective date of this upcoming SAS, this Guide does not fully incorporate the amendments.	Paragraph 101.1

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
<p>CHAPTER 2 Identifying and Evaluating Internal Control Deficiencies</p>	<p>1. Updated the status of FASB Statement of Financial Accounting Concepts No. 8.</p>	<p>Paragraph 204.16</p>
<p>CHAPTER 3 Communicating Internal Control Deficiencies Identified during the Audit</p>	<p>1. Updated the footnote for the GAO’s issuance of <i>Government Auditing Standards, 2018 Revision</i> (the 2018 Yellow Book).</p>	<p>Paragraph 312.2</p>
<p>CHAPTER 4 Developing Comments about Significant Deficiencies and Material Weaknesses</p>	<p>2. Added or updated footnotes discussing the AICPA’s Omnibus Statement on Auditing Standards—2019.</p>	<p>Exhibits 3A-1, 3A-2, and 3A-3 Exhibit 4-1</p>
	<p>1. Updated the paragraph references in the material weakness exhibit to include references to the new comments added to the <i>Guide</i>.</p>	
	<p>2. Updated the paragraph references in the significant deficiencies exhibit to include references to the new comments added to the <i>Guide</i>.</p>	<p>Exhibit 4-2</p>
	<p>3. Modified the comments on leases.</p>	<p>Paragraphs 405.15 and 405.35-.37</p>
	<p>4. Added a new comment about internal controls over incremental costs incurred to obtain a contract under the new revenue recognition standards.</p>	<p>Paragraphs 409.29-.31</p>
	<p>5. Added a new comment on gift acceptance policies for nonprofit organizations.</p>	<p>Paragraph 419.24</p>
	<p>6. Added a new comment on privacy and data protection controls for nonprofit organizations.</p>	<p>Paragraphs 419.47-.48</p>
	<p>7. Added a new comment on the revised definition of collections for nonprofit organizations.</p>	<p>Paragraph 419.88</p>
	<p>8. Added a new comment on dormant bank accounts.</p>	<p>Paragraphs 420.6</p>
<p>CASE STUDY A AND CASE STUDY B</p>	<p>1. Updated the case studies for changes made to the practice aids in the 2019 editions of PPC audit guides.</p>	<p>Appendixes A and B</p>