

Key Updates in Uniform Guidance: A High-Level Snapshot

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Application of accounting and auditing principles is the responsibility of an organization's management and their independent public accountant.

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Learning Objectives

1. Recognize the impact of the 2024 Uniform Guidance on Single Audits
2. Recall the components of quality management in the 2024 Yellow Book



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Agenda

Single Audit Update

Yellow Book Update



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Single Audit Update



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Background

2024 Uniform Guidance

- Issued: April 2024
- Background:
 - 2 CFR 200.109 requires updating every 5 years
 - Proposal issued October 2023

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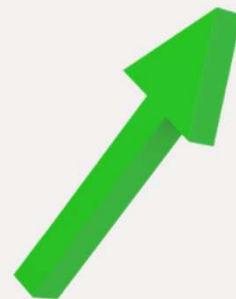
Purpose

- OMB is revising guidance in 2 CFR for the purpose of:
 - Reducing agency and recipient burden
 - Clarifying sections that recipients or agencies have interpreted in different ways
 - Rewriting applicable sections in plain language, improving flow, and addressing inconsistent use of terms within the guidance

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Audit Changes

- The threshold for audit has been increased from \$750,000 to \$1 million
- The Type A threshold has been increased to \$1 million and the amount of awards expended for which it applies has been increased from \$25 million to \$34 million



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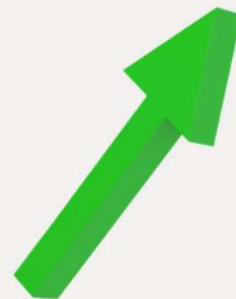
Indirect Cost Rate

- Raises the de minimis indirect cost rate from 10% to 15%



Equipment vs. Supplies

- Raises equipment and supply thresholds from \$5,000 to \$10,000



Internal Controls

- Added cybersecurity considerations to internal controls regarding safeguarding information

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Procurement

- Adds “veteran-owned business” to the types of businesses that recipients and subrecipients are encouraged to consider for procurement contracts under a Federal award
- Clarifies that micro-purchase is referring to an individual procurement transaction
- Allows Indian Tribes to have similar exception to procurement rules as States

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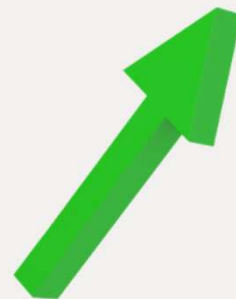
Subrecipient Monitoring

- Includes a requirement for PTEs to confirm that potential subrecipients are not suspended, debarred, or otherwise excluded from receiving Federal funds

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Fixed Amount Awards

- Doubled the thresholds for fixed amount awards to \$500,000



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Terminology

- Throughout subparts A – E of the regulation the use of the term non-federal entity has been replaced with recipient and/or subrecipient
 - Subpart F, Audit Requirements, retains the use of the non-federal entity term to maintain alignment with the statutory provisions of the Single Audit Act

Terminology Cont'd

- Added the term “for-profit organizations” to definitions
 - Generally, means an organization or entity organized for the purpose of earning a profit
 - The term includes but is not limited to:
 - An “S corporation” incorporated under subchapter S of the Internal Revenue Code
 - A corporation incorporated under another authority
 - A partnership
 - A limited liability company or partnership
 - A sole proprietorship

Effective Date

- Effective October 1, 2024



Yellow Book Update



Background

Government Auditing Standards 2024 Revision

- Issued: February 1, 2024
- Background:
 - Contains major changes from, and supersedes, Government Auditing Standards 2018 Revision Technical Update April 2021
 - Chapter 5, "Quality Management, Engagement Quality Reviews, and Peer Review" in the 2024 revision replaces Chapter 5, "Quality Control and Peer Review," in the 2018 Revision
 - Application guidance is added to Chapter 6, "Standards for Financial Audits"

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Major Changes

- Some of the changes in the 2024 Revision of Government Auditing Standards reflect:
 - An emphasis on the responsibility of an audit organization's leadership for proactively managing quality on its engagements
 - An approach that promotes scalability of the system of quality management for use by audit organizations differing in size and complexity
 - A risk-based process for achieving the objectives of quality management
 - A change in approach from quality control to quality management
 - Flexibility for audit organizations subject to other quality management standards to avoid the burden of designing, implementing, and operating separate systems of quality management
 - Provisions for optional engagement quality reviews of GAGAS engagements

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Quality Management Convergence

- Aligns significantly with AICPA & IAASB QM standards
 - Same effective date as AICPA

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Components of QM



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Requirements

- An audit organization must design, implement, and operate a system of quality management that provides it with **reasonable assurance** that the audit organization and its personnel
 - Fulfill their responsibilities in accordance with professional standards and applicable laws and regulations and
 - Perform and report on engagements in accordance with such standards and requirements

Nongovernment Audit Orgs

- A nongovernment audit organization subject to the quality management standards of recognized organizations should comply with the respective organization's QM requirements and the requirements of paragraphs 5.55c, 5.55d, & 5.74c
- Recognized Orgs
 - American Institute of Certified Public Accountants
 - International Auditing and Assurance Standards Board
 - Public Company Accounting Oversight Board

Additional Requirements

5.55c

- If an engagement is terminated before it is completed and an audit report is not issued, document the results of the work to the date of termination and why the engagement was terminated

5.55d

- If auditors change the engagement objectives during the engagement, document the revised engagement objectives and the reasons for the changes

Additional Requirements Cont'd

5.74c

- Auditors who are performing work in accordance with GAGAS meet the continuing professional education (CPE) requirements

Yellow Book QM Requirements



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Responsibility

- The audit organization should assign
 - Responsibility and accountability for the system of quality management to a senior-level official within the audit organization and
 - Operational responsibility for the system of quality management or specific aspects of the system of quality management to a specific individual or individuals

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Risk Assessment Process

- The audit organization should design and implement a risk assessment process that establishes quality objectives, identifies and assesses quality risks, and designs & implements responses to address the quality risks

Engagement Quality Review (EQR)

- An audit organization using engagement quality reviews should establish policies and procedures that set forth the eligibility criteria to be appointed as an engagement quality reviewer or an assistant to an engagement quality reviewer

EQR Cont'd

- The engagement quality reviewer and any assistants to an engagement quality reviewer:
 - Cannot be members of the engagement team
 - Have the competence and capabilities, including sufficient time, and the appropriate authority to perform the engagement quality review and
 - Comply with applicable legal and ethical requirements, including those addressing threats to the objectivity of the engagement quality reviewer

Performance of the EQR

- EQR policies and procedures should include:
 - The EQR's responsibilities to perform procedures during the engagement to provide an appropriate basis for an objective evaluation of the engagement team's significant judgments and the conclusions reached thereon
 - The engagement partner or director is precluded from releasing the audit report until after having received notification from the EQR that the engagement quality review is complete
 - Documentation is provided to the EQR to permit completion of the engagement quality review

Performance of the EQR Cont'd

- The EQR should:
 - a) Read and obtain an understanding of the information provided to them
 - b) Discuss with the engagement partner or director significant matters and judgments made in planning, performing, and reporting on the engagement
 - c) Review selected engagement documentation relating to the engagement team's significant judgments
 - d) Review financial statements and reports

Effective Date

- Effective for financial audits, attestation engagements, and reviews of financial statements for periods beginning on or after December 15, 2025, and for performance audits beginning on or after December 15, 2025



Effective Date Cont'd

- A system of quality management that complies with Government Auditing Standards is required to be designed and implemented by December 15, 2025
- An audit organization should complete its evaluation of the system of quality management by December 15, 2026
- Early implementation is permitted



3, 2, 1 Method of Applying New Knowledge

3 things I learned

2 actions to apply what I learned

1 way I will share my learning



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What Questions Do You Have?



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