



THOMAS P. DiNAPOLI  
COMPTROLLER

STATE OF NEW YORK  
OFFICE OF THE STATE COMPTROLLER  
110 STATE STREET  
ALBANY, NEW YORK 12236

GABRIEL F. DEYO  
DEPUTY COMPTROLLER  
DIVISION OF LOCAL GOVERNMENT  
AND SCHOOL ACCOUNTABILITY

July 6, 2017

Mr. James Dalkin, CPA  
Director, Financial Management and Assurance  
United States Government Accountability Office  
441 G Street, NW  
Washington, DC 20548

Re: Government Auditing Standards 2017 Exposure Draft

Dear Mr. Dalkin:

On behalf of the Office of the New York State Comptroller's Division of Local Government and School Accountability, we appreciate the opportunity to provide comments to the Government Accountability Office's *Government Auditing Standards 2017 Exposure Draft*.

**1. Please comment on how the revised format of GAGAS affects the organization and readability of the standards.**

The revised format of GAGAS generally improves the readability of the standards. In the prior Yellow Book revision, finding references to questions on auditing standards often required compiling information from both the applicable chapter and the supplemental guidance appendix in order to formulate a complete answer. The consolidation of the appendices into the applicable chapters is a more readable and better organized way to present this material. We would however, appreciate if GAO would consider providing a crosswalk showing users where the former Yellow Book paragraphs are located in the updated version.

**2. Please comment on whether the revisions related to nonaudit services sufficiently and clearly explain what is required and prohibited under GAGAS.**

The revisions related to providing nonaudit services to audited entities provide additional clarity and assistance in helping explain what is required and prohibited under GAGAS. Specifically, we found updated paragraph 3.77 to be clearer as far as examples of actions that in certain circumstances could be safeguards in addressing threats to independence related to nonaudit services.

**3. Do these roles and descriptions clarify the competence required of auditors conducting engagements in accordance with GAGAS? Is the level of proficiency expected for each of these roles clear?**

While the levels of proficiency described in paragraphs 4.09 and 4.10 appear to be fairly standard and consistent within “typical organizational norms,” defining engagement roles in such a specific manner seems unnecessary and could lead to potential confusion. Descriptors such as entry level (basic), supervisory (intermediate), and partners and directors (advanced) are too abstract and may limit an audit organization’s ability to match the actual capabilities of auditors with the skills needed by an audit team. It is our opinion that the determination of such roles should be left to individual audit organizations, which are in a better position to select auditors who possess the necessary background and skills to form competent audit teams.

Additionally, the added guidance under the *Application Guidance: Specialists* section (specifically paragraphs 4.13 and 4.14) provides useful information for auditors when engagements require the skills of specialists.

**4. Please comment on additional topics that could be included in the 4-hour GAGAS CPE requirement or other requirements that would enhance auditor proficiency in GAGAS.**

We found the topics listed in paragraph 4.23 pertaining to the 4-hour GAGAS CPE requirement to be appropriate and consistent with the updates made to GAGAS in this exposure draft. We did, however, have concerns about how this standard would be carried forward in future Yellow Book revisions. Specifically, since the 4-hour requirement needs to be completed each time a GAGAS revision is issued, what if future revisions are made to areas which do not directly apply to us? For example, what if future revisions are only made to standards involving financial audits? We currently focus on only performance audits. Would our examiners be required to take 4 hours of financial audit training even though we do not perform financial audits in order to meet the GAGAS CPE requirements? We believe the 4-hour GAGAS CPE requirement should explicitly state that it only needs to be followed if the revisions apply to the audit organization.

**5. Is there any additional application guidance that should be included in the GAGAS revision to enable auditors and audit organizations to effectively implement the CPE requirements given the planned retirement of the CPE guidance document?**

Chapter 4 adequately covers the CPE requirements, allowing for the retirement of the CPE guidance document.

**6. Are the changes to the quality control and external peer review sections appropriate and reasonable?**

The changes made to Chapter 5 with respect to quality control and external peer review generally appear appropriate, reasonable and consistent with our standard organizational practices.

## 7. Are the peer review requirements for each category of audit organization clear?

The peer review requirements starting in paragraph 5.63 and continuing through 5.113 appear straightforward and clear. Paragraphs 5.68 through 5.79 apply to organizations affiliated with one of the recognized peer review organizations and need to comply with the respective organizations peer review requirements. Paragraphs 5.80 through 5.113 apply to organizations not affiliated with recognized peer review organizations.

## 8. Please comment on the expanded requirements and application guidance (for Chapter 7 – Standards for Attestation Engagements and Reviews of Financial Statements).

Our organization does not perform attestation engagements or reviews of financial statements. We have no comments on this chapter.

## 9. Do these sections clearly describe ways auditors assess internal control on performance audits?

The added guidance on the requirements for the consideration, understanding and documentation of significant internal control and information systems control functions is welcomed and consistent with the recent updates to the *Internal Control – Integrated Framework* and the *Standards for Internal Control in the Federal Government*. This had previously been an area where we felt more guidance could and should be provided.

### Other Matters to Consider:

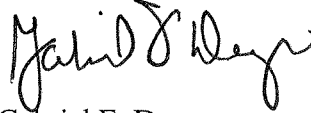
**9.24** – The requirement that auditors consider, when internal control is significant within the context of the audit objective, “the concept of accountability for use of public resources and government authority while assessing audit risk associated with internal control...” is potentially burdensome and poorly defined. Does this new requirement pertain only to accountability related to the significant internal control, or must it be applied more broadly to all relevant internal controls within the context of the audit objective? We recommend it be applied only to the internal control that is significant. Also, how broadly should the profession interpret “use of public resources” and “government authority?” Without further guidance, this additional requirement could result in extensive additional audit work into risks that neither the client nor the auditor feel need to be examined.

**9.25** – We find the requirements in paragraph 9.25 unclear. Specifically, it appears to us that the requirement is intended to apply only to an internal control that is significant to the audit objective, a position we would support. However, the section says, “...the auditors should indicate in their report that the audit did not consider **all** (emphasis added) internal control components, and that if it had, deficiencies may have been identified that could impair the effectiveness of the controls evaluated as part of the audit.” This portion of the sentence seems to apply to all internal control components and deficiencies that could impair the effectiveness of the controls evaluated, not just all of the components related to the significant internal control. If your intent is to have 9.25 apply only to components related to the significant internal control and not all relevant internal controls related to an audit objective, then we believe the wording should be modified to make the section more clear. If you intend that auditors must review all internal control components of every internal control evaluated as part of the audit, we object to this addition since many of our audit reports may

need to include a statement saying that we did not consider all internal control components. This statement would be misleading to the audited entity and the public who may not understand that we reviewed all internal control components that are significant to the audit objective and any others we deemed relevant to the audit objective, but maybe not all internal control components.

Again, thank you for this opportunity to provide comments to the Government Accountability Office's *Government Auditing Standards 2017 Exposure Draft*. Should you have any questions regarding this response, please contact Dara Disko-McCagg at [REDACTED] or [REDACTED]  
[REDACTED]

Sincerely,



Gabriel F. Deyo  
Deputy Comptroller

cc: Dara Disko-McCagg