



July 6, 2017

Mr. James Dalkin
 Director, Financial Management and Assurance
 U.S. Government Accountability Office
 441 G St. N.W.
 Washington DC 20548

Via electronic submission: YellowBookComments@gao.gov

RE: EXPOSURE DRAFT OF 2017 REVISION OF *GOVERNMENT AUDITING STANDARDS*

Dear Mr. Dalkin:

We appreciate the opportunity to share our views on the Government Accountability Office's Exposure Draft of the 2017 Revision of *Government Auditing Standards* (ED). We applaud the GAO's efforts to modernize Government Auditing Standards (GAGAS or the Yellow Book) and promote accountability and high-quality audits and other engagements.

Moss Adams LLP is the largest accounting and consulting firm headquartered in the Western United States, with a staff of over 2,600, including more than 275 partners. Founded in 1913, the firm serves public and private middle-market businesses, not-for-profit, and governmental organizations across the nation through specialized industry and service teams. We perform hundreds of engagements annually in accordance with *Government Auditing Standards*.

While we are supportive of many of the proposed changes, we have several concerns, suggestions for improvement, requests for clarification, and other comments for your consideration. Our most significant and overarching comments are described below; the order of our comments is not necessarily indicative of the importance of each.

FORMAT AND APPLICATION GUIDANCE

We are in favor of the revised format that highlights the requirements, separate from application guidance, which is consistent with other major auditing standard setters such as the AICPA's Auditing Standards Board (ASB) and the International Auditing and Assurance Standards Board (IAASB). However, because the paragraph numbering scheme does not distinguish "requirements" paragraphs from paragraphs with application guidance, the references within the document are less helpful than they could be in highlighting and emphasizing the requirements. For example, a reference from a "requirement paragraph" to a clearly recognizable "requirement paragraph" (based on paragraph numbering), would help the reader easily comprehend that the two requirements are linked, or have influence upon each other.

999 Third Avenue
 Suite 2800
 Seattle, WA 98104

Assurance, tax, and consulting offered through
 Moss Adams LLP. Wealth management offered through
 Moss Adams Wealth Advisors LLC. Investment banking
 offered through Moss Adams Capital LLC.

Mr. James Dalkin
U.S. Government Accountability Office
July 6, 2017
Page 2

On the other hand, a reference from a clearly recognizable “requirement paragraph” to a clearly recognizable “application guidance paragraph” (based on paragraph numbering) would help the reader more easily understand that additional guidance for application is provided.

A paragraph numbering scheme that clearly identifies requirements from application guidance also is critical, we believe, to understanding the importance and level of expected adherence to various paragraphs when cited in external documents such as audit organization and public accounting firm policies and procedures, audit programs and other audit workpapers, CPE courses, peer review programs, and so on. Such numbering would facilitate the instant recognition, for all who understand the simple scheme, of requirements as opposed to application guidance. One of the devices the ED uses to call attention to requirements – the boxes – will be lost when such wording is cited or transferred to another document, losing its effect in an external context.

We recommend the GAO use the letter “A” (for example, A.3.70) to identify paragraphs with application guidance, similar to the numbering scheme adopted by the ASB and the IAASB, which has worked very well in practice.

DEFINITION OF NONAUDIT SERVICES

We do not agree with the revised definition of nonaudit services in paragraph 1.22 of the ED. The proposed new definition is “professional services provided on behalf of management at audited entities”. This raises several issues including:

- Using this definition, an actual audit, attestation engagement, or performance audit would be considered a nonaudit service.
- The phrase “on behalf of management” implies the objective or result of these services would be to perform a management function or fulfill a management responsibility. According to paragraph 3.69 of the ED, however, an auditor assuming management responsibilities would create a management participation threat “so great that no safeguards could reduce them to an acceptable level.” We don’t believe it is the GAO’s intention that all nonaudit services would be prohibited, but that is the logical conclusion based on the ED wording.
- There are some professional services we provide at the request of or “on behalf of” the governing body or others that would historically have been considered nonaudit services under GAGAS and AICPA standards. Under the ED’s proposed definition these would no longer be considered nonaudit services because they are not “on behalf of management”.
- The phrase “at audited entities” could be read to imply that only services provided on location at the audited entity would be considered nonaudit services. That phrase requires clarification to be applied as the GAO intends. It is unclear whether “at the audited entity” refers to management being management **OF** the audited entity, or that only services provided physically on-site fit the definition of nonaudit services. And if the physical definition is intended, what does that include? Without such clarity there will likely be disparity in practice at best, and more likely noncompliance with the GAO’s intended requirement.
- The term “audited entity” is not clearly defined, and it raises doubt as to what components of a governmental entity might be included, what subsidiaries of a not-for-profit or commercial entity would be included, and what related parties and affiliates would be included. There are currently ethics interpretations in the AICPA Code of Professional Conduct (the Code) that address the application of independence rules to affiliates of an auditee or attest client that the ED definition does not appear to include. Further, we understand that the AICPA has been working to develop an ethics interpretation for its Code that addresses which entities related to a government an auditor must be independent of, which would affect the application of the definition of nonaudit services as proposed in the ED.

It would be simpler and more logical to define “nonaudit services” as those that are not audit (or attest or performance audit) services. We strongly urge the GAO to return to and slightly revise the current definition of nonaudit services in the 2011 revision of the Yellow Book to “professional services other than audits, attestation engagements, or performance audits.”

Mr. James Dalkin
U.S. Government Accountability Office
July 6, 2017
Page 3

NONAUDIT SERVICES AND PREPARING ACCOUNTING RECORDS AND FINANCIAL STATEMENTS

We are concerned with the stringent nature of the proposed change in paragraph 3.89 that requires an auditor to “conclude that any services related to preparing accounting records and financial statements, other than those defined as impairments to independence in paragraph 3.88, create significant threats to auditors’ independence”. We agree that emphasis needs to be placed on the auditor performing a more thorough evaluation of the threats to independence posed by financial statement preparation, and on the auditor recognizing the potential that these nonaudit services represent a significant threat. However, we do not agree that the place to start is to require the auditor to conclude such services are a significant threat to independence in all circumstances. Furthermore, we do not believe this issue warrants a divergence from the independence requirements under the AICPA’s Code or the International Ethics Standards Board for Accountants’ (IESBA) Code of Ethics for Professional Accountants. Auditors should be allowed to use the ED’s conceptual framework and application guidance for evaluating nonaudit services to make their own determinations in each situation.

There are situations where an audited entity requests assistance in preparing its financial statements as a matter of convenience. In some cases this involves the auditor setting up the more standard footnote disclosures such as those generically describing a new accounting pronouncement. In some cases this occurs because the audited entity is aware their auditor has been exposed to many financial statement presentations and disclosures in the normal course of their work. We believe that as long as the entity has an appropriate individual effectively overseeing and evaluating the nonaudit service; the auditor has determined that individual possesses the necessary skills, knowledge, or experience (SKE); and management is taking responsibility for the nonaudit services and the financial statements, there is not necessarily a significant threat to the auditor’s independence. In this situation an auditor should be allowed to conclude that the self-review and management participation threats are at an acceptable level without additional safeguards.

We ask that the GAO remove the requirement that auditors conclude the preparation of accounting records and financial statements results in a significant threat to independence. We are in favor of strengthening the application guidance in this area to indicate more specifically the situations and factors that the GAO believes represent significant threats related to the preparation of accounting records and financial statements, and the types of threats they represent, especially when multiple such nonaudit services are performed. We believe setting forth in writing the GAO’s perspective and expectations will lead to more thorough and careful evaluation under the conceptual framework and achieve more consistent application of the requirements. It would also aid auditors in determining more effective safeguards to put in place, whether or not the threat is significant.

We have also identified that the ED does not specifically define “preparing... financial statements”. Some regulators and standard setters have determined that under their standards this includes word processing, printing, binding, and creating a pdf from a Word document. We ask the GAO to be more specific about what it intends to be included in the scope of financial statement preparation, and we ask that the definition not include such administrative functions.

Finally, we are concerned about the lack of definition for what constitutes “accounting records”, other than what is include in paragraph 3.88, and that there does not appear to be any sort of limit to what the GAO considers a significant threat. For example, there could be schedules such as fixed asset rollforwards, accounts receivable aging schedules, or reconciliations between a subsidiary ledger and the general ledger prepared and kept by an auditor as part of the audit workpapers. While this is clearly an audit workpaper, if the audited entity does not have its own schedule it is unclear whether the GAO would consider the schedule an accounting record. It is also unclear whether these would be considered accounting records if these schedules were created by the auditor and shared with the audited entity.

NONAUDIT SERVICES AND THE EXTENT OF SKILLS, KNOWLEDGE, OR EXPERIENCE

We noted the ED expands a prerequisite to performing nonaudit services to include a provision that the individual designated by the audited entity understand the services to be provided sufficiently to be capable of detecting a

Mr. James Dalkin
U.S. Government Accountability Office
July 6, 2017
Page 4

material error, omission, or misstatement (par. 3.67). It is unclear how an auditor would be able to evaluate this with certainty. In addition, although it is fairly clear how the concepts of materiality, error, omission, and misstatement would be applied in relation to the nonaudit service of an auditor preparing financial statements, it is not clear how those concepts would be applied consistently in the case of other types of nonaudit services where financial statement materiality would not be an appropriate benchmark.

We also foresee a complication if and when a material error, omission or misstatement is identified, for example in a financial statement, after the financial statements are issued. While this is an infrequent occurrence, it occurs often enough, and sometimes in connection with the subsequent year's audit, that we urge the GAO to consider the consequences. One could conclude, after the fact, that due to the fact that a material misstatement occurred, the expanded evaluation criterion was not met at the time of performing the financial statement preparation nonaudit service, and therefore the auditor was not independent. This may lead to unforeseen negative consequences such as 1) the audited entity being required to engage a different auditor to re-audit the financial statement to correct the error, or 2) the audited entity not correcting material errors, omissions or misstatements in order to avoid auditor independence concerns due solely to this criterion.

We recommend the GAO remove this expanded criterion, and consider incorporating the concept into application guidance as one way an auditor could evaluate an individual's SKE. If the GAO retains this expanded criterion, further clarification is needed.

NEW REQUIREMENTS REGARDING WASTE

We identified several trouble spots with how these requirements are written and uncertainty as to what is expected during the course of a GAGAS engagement. We do not believe such requirements can or will be consistently understood and applied. As a result, we question whether the new requirements around an auditor's responsibilities regarding waste should be included in GAGAS.

This is an inherently subjective concept, similar to abuse, yet the ED does not seem to acknowledge the subjectivity as it does for abuse in paragraph 6.18. ("Because the determination of abuse is subjective, auditors are not required to perform procedures to detect abuse in financial audits.") If the GAO proceeds with the added requirement regarding waste we believe this is a critical statement to make regarding waste as well. The subjective nature of waste poses the very real challenge of having consistently measurable criteria against which to audit. Because of the difficulty in defining it and stating measurable criteria, there will be wide disparity in practice and varying levels of consistency in identifying waste. Furthermore, from a financial statement perspective, even if there is waste, it is unclear under what circumstances an auditor would conclude that it had a material effect if all transactions were recorded and reported appropriately. Included in our concerns around this added requirement is the difficulty in defining waste. One could interpret the definition of waste in paragraph 6.17 to even include situations in which the auditor disagrees with a granting agency's decision to fund a governmental program, or believes that taxpayer dollars should not be spent in that manner. That may not be the GAO's intent, and goes beyond mismanagement of funds at the audited entity. We recommend the GAO exclude this requirement from the final standard. However, if the GAO proceeds with this requirement, additional guidance and examples should be provided.

COMPETENCE AND CONTINUING PROFESSIONAL EDUCATION

Measuring Competency

We fully support the GAO's view that engagement teams performing Yellow Book engagements must be collectively competent. We believe there are and will continue to be more effective methods to determine competency than CPE credit hours, such as testing and continuing certification programs. We urge the GAO to consider incorporating other effective competency measuring methods as they evolve.

Mr. James Dalkin
U.S. Government Accountability Office
July 6, 2017
Page 5

4-Hour GAGAS Qualification Requirement

Our main comment regarding CPE relates to the new 4-hour GAGAS Qualification requirement. We are not opposed to this new requirement in theory; however we do believe the requirement should be imposed on a more select group of people involved in a GAGAS engagement. We would like the GAO to limit the GAGAS Qualification requirement to the partner and director role defined in paragraph 4.10c. We believe that entry level and supervisory level engagement team members are better served to spend their CPE hours obtaining a broader and deeper understanding of relevant underlying professional standards and building core audit and engagement skills. These provide the majority of the knowledge they need to perform GAGAS engagements. Focused study of the incremental requirements of GAGAS, in our view, may be beneficial for the partner and director role, as many of those topics are more relevant to the areas of an engagement that are the purview of the person with overall responsibility for the engagement, such as independence, assigning competent members of the engagement team, reporting, peer review, and so on. But it is less beneficial for entry-level and supervisory-level engagement team members.

We also do not believe that internal specialists, such as information technology professionals, valuations specialists, and actuaries on staff, who take part in planning and performing a part of the GAGAS engagement relevant to their area of specialization, should be subject to the 4-hour GAGAS Qualification requirement. Their work is typically supervised by the partner or director role who is responsible for ensuring their work is performed and reported on in accordance with GAGAS, and the incremental requirements of GAGAS are less relevant to their work. The exception to this may be internal specialists who are deeply involved in a performance audit in which the very subject matter is directly relatable to their area of specialization.

Other CPE-Related Comments

With respect to the CPE expectations for internal specialists, there appears to be a change in the requirements. As described in our comments on the definitions of specialist in the “Definitions of Auditor and Specialist” section of this letter, we believe there needs to be greater clarity in the definition of internal specialist. Internal specialists who merely consult with the engagement team and are not a part of the engagement team should not be required to fulfill CPE requirements under GAGAS. In addition, internal specialists who do act as part of the engagement team should be able to apply the CPE credit they obtain for learning in their area of specialization to meet the GAGAS CPE requirements.

The provision in paragraph 3.81 of the current Yellow Book was not included in the ED. It states that internal specialists who act as part of the engagement team and who apply specialized knowledge in government audits may apply training in their areas of specialization to qualify under the requirement for 24 hours of CPE that directly relates to government auditing, the government environment, or the specific or unique environment in which the audited entity operates”. We are uncertain if exclusion from the ED of this concept was an oversight or if the GAO intended to change this provision. If this was an intentional change, we disagree with this change.

We also believe the final standard should include more information about the “2-year CPE period”. Such information should include who is responsible for establishing it (we believe the audit organization is), whether it should be static or rolling period (we believe it should be a static 2-year period), and how to handle the transition of personnel to a new period in the event of a merger or combination of audit organizations (we believe the audit organization should establish reasonable policies and procedures for this because mergers and combinations are not one-size-fits-all).

Paragraph 4.16 says “the CPE provider should include in the course content the relevant GAGAS topics listed in paragraph 4.23 and include in the course description wording that indicates that its purpose is to fulfill the GAGAS Qualification CPE requirement.” A CPE provider is not required to adhere to GAGAS so it is unclear what the GAO’s intention with this wording is. Further, because CPE providers are not required to provide this detail, they may or may not provide it, and it is unclear whether an individual auditor or audit organization would be allowed to make that assessment itself.

Mr. James Dalkin
 U.S. Government Accountability Office
 July 6, 2017
 Page 6

DEFINITIONS

Use of a Glossary and Consistent Terms

Although paragraph 1.23 includes definitions for a partial list of terms used in GAGAS, further clarity could be gained by having a fuller glossary and consistent use of terms. We believe this would streamline the document, increase the ease of use and understandability for the user, and enhance the likelihood of consistent adherence to requirements and use of application guidance. In addition, more consistent use of terms would enhance understandability of the ED. For example, in paragraph 1.04 and 3.10, among others, the party requesting the engagement is also known as the party contracting for the engagement, or contracting party more familiarly. However, in paragraph 6.66b (and other similar paragraphs) the “public accounting firm” is positioned as the “contracting firm”. The text could be improved as follows:

*6.66b - A public accounting firm contracted to conduct an audit in accordance with GAGAS should clarify report distribution responsibilities with the **contracting** ~~engaging~~ party. If the **public accounting firm** ~~contracting firm~~ is responsible for the distribution, it should reach agreement with the **contracting** party ~~contracting for the audit~~ about which officials or organizations will receive the report and the steps being taken to make the report available to the public.*

There are many other examples of definitions included in various chapters, and use of terms that could be more consistent and direct. We encourage the GAO to revisit the text with this in mind, to aid understandability.

Definitions of Auditor and Specialist

The terms “Auditor” and “Specialist” are defined in paragraph 1.23. Between these two definitions, and without further clarity elsewhere in the ED, it is unclear whether or when an internal specialist would be considered an “auditor” versus a “specialist”. We believe it’s critical to clarify that the definition of “specialist” includes internal specialists who consult on a GAGAS engagement but who are not involved in directing, performing engagement procedures, or reporting on a GAGAS engagement, and who do not act as part of the engagement team. Similarly, internal specialists who perform work in accordance with GAGAS as part of the engagement team, including directing, performing engagement procedures, or reporting on a GAGAS engagement, should be included in the definition of “auditor”. We believe the guidance on this point in the current Yellow Book (paragraphs 3.80 and 3.81) is necessary to carry forward, especially in light of the CPE requirements for any individual fitting the definition of an “auditor”.

Definition of External Audit Organization

The following terms are defined in paragraph 1.23:

Audit organization – A government audit entity or a public accounting or other audit entity that performs GAGAS engagements.

External audit organization – An audit organization that issues reports to third parties external to the audited entity.

Internal audit organization – An audit organization that is accountable to senior management and those charged with governance of the audited entity and that does not generally issue reports to third parties external to the audited entity.

These definitions seem to attempt to describe the differences between and internal and external audit organizations. We suspect the intention is that a public accounting firm would be considered an “external audit organization”; however the above definition is not accurate. First, from a public accounting firm perspective, we almost always issue our reports to the audited entity, not to external parties. This is true even when such report is a general use report and will be used by third parties. In fact, we are often precluded by AICPA independence standards from distributing such reports directly to external parties, as a management function (please refer to our related comment in the section “Distributing Reports”. Second, there are many occasions when an audit organization such as a public accounting firm performs a GAGAS engagement, issues an engagement report solely to the audited entity, and the audited entity has no plans or need to distribute that report to third parties external to the audited entity. Finally, there are cases where an external audit organization may be engaged to perform a GAGAS engagement but for whatever reason, such as

Mr. James Dalkin
U.S. Government Accountability Office
July 6, 2017
Page 7

early termination or withdrawal from the engagement, does not issue a report. To address these points, we suggest the following wording be used to define “external audit organization” instead:

External audit organization – An audit organization ~~that issues reports to third parties~~ external to the audited entity.

In formulating the definition included in the final standard, we suggest the GAO consider these points and how the term “external audit organization” is used throughout the final standard to ensure this definition and the text where the words are used result in what the GAO intends.

Divergence from AICPA Definitions

We understand that many auditors, audit organizations, and others who use the Yellow Book are not familiar with AICPA standards. However, a lot of auditors are, and the AICPA has long-standing definitions of certain terms those auditors are used to. We noted some cases where the GAO has created different definitions that can lead to confusion, especially when GAGAS states it incorporates by reference AICPA Statements on Auditing Standards (SAS), Statements on Standards for Attestation Engagements (SSAE), and Statement on Standards for Accounting and Review Services (SSARS) No. 21, section 90 (and presumably all subsequent SSARS). We recommend the GAO use the AICPA definitions as often as possible, and to challenge when a difference is required for GAGAS purposes.

ROLES ON THE ENGAGEMENT

Paragraph 4.10 defines the roles for an engagement. There is likely to be variation from one audit organization to the next in the name of an employee position compared to the role an individual fills on a given engagement. In addition, an individual might fill one of the roles described in paragraph 4.10 on one engagement, and a different role on another engagement. It would be helpful for the final standard to acknowledge that.

We are concerned that people might too easily assume that the third role described – “partners and directors” – is required to be the actual partner or employee position in a public accounting firm or other audit organization. We do not believe that it the GAO’s intention, and to resolve that we strongly urge the GAO to change the name of that role to “Engagement Leader” or something similar. We believe that will more accurately reflect the role rather than a position within the audit organization, and avoid confusion. It also allows better alignment with the AICPA definition of “partner equivalent”.

The terms “partner” and “director” are also used in other parts of the ED, most notably in Chapter 4 (Competence and CPE) and Chapter 5 (Quality Control and Peer Review), including the term “second partner review”. For the reasons stated, we believe these should also be changed to reflect the role. The term “general partner” in Chapter 3 should remain as is.

DISTRBUTING REPORTS

Paragraphs 6.66b (for financial statement audits), 7.77b (for examinations), 7.80b (for reviews), 7.91b (for agreed-upon procedures engagements), and 9.56b (for performance audits) each state that a public accounting firm might “be responsible for the distribution” of a report, without limiting such distribution to officials within the audited entity. As a result, this provision applies to distribution to external parties. While we recognize that similar wording is included in the current Yellow Book, we are uncertain why this action would be permitted without impairing the audit organization’s independence. Some in the auditing profession consider distributing the audit report as a management function and a management responsibility. According to paragraph 3.69 in the ED,

...management responsibilities performed by the auditors for an audited entity are impairments to independence. If the auditors were to assume management responsibilities for an audited entity, the management participation threats created would be so significant that no safeguards could reduce them to an acceptable level.

Presumably the GAO does not view distributing reports as a management responsibility that would impair independence but we are unclear on that logic, and we request that the GAO provide clarification to help auditors

Mr. James Dalkin
U.S. Government Accountability Office
July 6, 2017
Page 8

delineate what constitutes taking responsibility for a management function and therefore impairs independence, and what does not.

OTHER COMMENTS AND OBSERVATIONS

Authority of Application Guidance and Interpretations

It is unclear to us the authority of the application guidance and interpretations. Paragraphs 2.05 and 2.06 say:

2.05: *In addition to requirements as identified in paragraph 2.02, GAGAS contains related explanatory material in the form of application guidance. Auditors should have an understanding of the application guidance.*

2.06: *Auditors should also have an understanding of interpretations that are issued by GAO in planning and conducting GAGAS engagements. These interpretations have the same level of authority as application guidance in GAGAS.*

One could interpret paragraph 2.05 as meaning the auditor is merely required to understand the application guidance, but the auditor does not need to consider using it to achieve the objective of the requirement, or to follow any sort of additional guidance that is imparted in it, that is, other than where “should” is used in those paragraphs. We understand this to be a different treatment of application guidance than in AICPA generally accepted auditing standards. If that is what the GAO intends, we request the GAO go further in stating this more explicitly in the final standard. We also believe it is important to ensure that adherence to application guidance does not become implied through other GAO communications or embedded formally or informally in other quality control and monitoring activities or peer review. On the other hand, if a higher level of adherence to application guidance is intended, that should be made clear.

We are also confused by the reference in paragraph 2.06 to the “level of authority” of application guidance in GAGAS. We did not see that level of authority explained anywhere in the ED, at least not in those same terms, so we are unsure what that level is. Other than the call-out of “requirements” and the defined differences of the terms “must” versus “should”, we are uncertain what the “level of authority” refers to.

Compliance with GAGAS

It is unclear how an auditor would apply the requirements in paragraphs 2.15 through 2.17, in particular 2.16b, in a government environment where a blended or discrete component unit was not audited under GAGAS (and was not required to be) but is incorporated into the audit report. We suggest the GAO provide specific application guidance for this circumstance.

Peer Review Reports

Paragraph 5.77 contains a requirement that an audit organization seeking to enter into a contract to conduct a performance audit in accordance with GAGAS provide its most recent peer review report and any subsequent peer review reports to the contracting party upon request. This requirement is limited to performance audits, and we do not see in the ED a similar requirement related to other types of GAGAS engagements. We are uncertain why the GAO would limit this requirement to performance audits.

Obtaining and Reporting the Views of Responsible Officials

Paragraph 6.54 contains a presumptively mandatory requirement for the auditor to include in the report an evaluation of the comments, as appropriate. The phrase “as appropriate” is vague and open to interpretation and judgment. We believe additional guidance is needed to clarify the GAO’s intention so that auditors can understand this requirement.

Management Representation Letters in Performance Audits

Paragraph 8.95 clearly states that obtaining a management representation letter in a performance audit is not required. We believe it should be. Obtaining management representations for other types of engagements is viewed by other auditing standard setters (AICPA, IAASB, and PCAOB) as an important element that provides necessary audit evidence. In fact, in its recent update of attestation standards, the AICPA moved to requiring accountants to request

Mr. James Dalkin
U.S. Government Accountability Office
July 6, 2017
Page 9

written representations for all attestation engagements. A written representation letter from management also serves as a method of establishing management's responsibility for the information it provided to the auditor and in many cases minimizes the risk of miscommunication between management and auditor.

In addition, as worded in the ED, paragraph 8.95 inhibits an auditor's ability to obtain a requested management representation letter, even if the audit organization's policies require it and the engagement contract provides for it. The proposed wording provides a ready defense to an audited entity that does not want to provide written representations.

We recommend the GAO add a requirement for the auditor to obtain a management representation letter in a performance audit. If the GAO does not, we strongly urge the GAO to remove the second sentence in paragraph 8.95.

Potential for Future Technical Corrections

We support the GAO's efforts to periodically update GAGAS, and we appreciate that existing interpretive guidance and the appendices have been incorporated within the body of the ED. In further support of these efforts, we urge the GAO to be open to making technical corrections to these standards on a more frequent basis. These days we see faster evolution of standards and the environments in which they must be applied, requiring more frequent adaptation. In addition, with any set of new and modified requirements, let alone a restructuring of existing requirements, there are bound to be practical issues and interpretations uncovered during implementation that reveal a need to revise standards on a timely basis. A nimble response to correct misinterpretations and clarify the GAO's intentions in the standards, if any are significantly and widely misconstrued, would be appreciated.

Effective Date

The ED does not specify an effective date. We believe that careful consideration of the effective date by GAO is necessary so that both audit organizations and audited entities have adequate time to gain an understanding of the new requirements and to ensure an effective and efficient implementation. Time is needed to implement some of the proposed changes, train personnel, and possibly modify contractual arrangements well in advance of the effective date. Audit organizations and other service providers will need time to update and modify their audit tools, templates, and practice aids for new and modified requirements as well as to adopt the revised format and structure. We strongly recommend that the effective date be at least one year after the issuance of the final standard.

We acknowledge the effort and time the GAO and its Advisory Council have devoted to revising *Government Auditing Standards*. We appreciate the opportunity to provide feedback and we hope that you find our comments meaningful. If you have any questions on our response please contact Erica Forhan in our Professional Practice Group at [REDACTED] or [REDACTED]

Very truly yours,

Moss Adams LLP