



# COMMONWEALTH of VIRGINIA

*Auditor of Public Accounts*

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July 6, 2017

U.S. Government Accountability Office  
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To Whom It May Concern:

We appreciate the opportunity to respond to the exposure draft of the Government Accountability Office (GAO) on revisions to Government Auditing Standards. In general, we agree with GAO's guidance. However, we have comments for further consideration.

In general, we believe it would be beneficial that references be included to differentiate requirements from application guidance. For example, when referencing requirements, users could cite "paragraph x.xxR"; for application guidance, users could reference "paragraph x.xxA."

In section 1.12, Types of GAGAS Users, while the examples did include a specific reference to federal agency internal auditors, we did not note where any of the examples specifically covered state or municipal internal auditors. We suggest the examples address all internal auditors of governmental entities.

In paragraph 1.21 of the Performance Audits section, "prospective analyses" is included as an example of a performance audit objective. In paragraph 2.11(d) of the 2011 Yellow Book revision, an additional paragraph was included to provide related guidance over prospective analyses, which was removed from the 2017 exposure draft. If "prospective analyses" is retained as an example of a performance audit objective, we believe that the related guidance should be retained as well.

Paragraph 2.13 of the Relationship between GAGAS and Other Professional Standards section, states: "for financial audits, attestation engagements, and reviews of financial statements, GAGAS does not incorporate the American Institute of Certified Public Accountants (AICPA) Code of Conduct by reference, but recognizes that certain CPAs *may use or may be required* to use the code in conjunction with GAGAS." We believe that this wording leaves room for interpretation and would benefit from specific examples of when CPAs may be required to use the AICPA Code of Conduct in conjunction with GAGAS.

In regard to paragraphs 3.88 and 3.89 of Requirements: Preparing Account Records and Financial Statements, we support the efforts of the GAO to highlight the independence risks

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associated with preparing accounting records and financial statements. We agree with the significant threats to the auditor's independence defined in this section.

Paragraph 3.102 of the Requirement: Documentation section, states: "*While insufficient documentation of an auditor's compliance with the independence standard does not impair independence, auditors should prepare appropriate documentation under the GAGAS quality control and assurance requirements.*" We believe the italicized portion of the statement above is unnecessary and only serves to diminish the requirement following it. If GAO considers it important to address the consequences of failure to sufficiently comply with the requirement, we believe that information would more appropriately belong in the application guidance.

The requirements noted in paragraph 4.33, Application Guidance: Measurement of CPE, are not consistent with the CPE program measurement standards contained within the Statement on Standards for CPE Programs published jointly by the AICPA and National Association of State Boards of Accountancy. We believe consistency between the various regulatory bodies would assist practitioners in developing processes for approving and monitoring CPE.

Paragraph 6.38, Requirements: Reporting on Internal Control; Compliance with Provisions of Laws, Regulations, Contracts, and Grant Agreements; and Instances of Fraud, Waste, and Abuse, requires that, "If separate reports are used, the auditors should make the report on internal control and compliance available to users in the same manner as the financial audit report to which it relates." We believe a reference to paragraph 6.66 following this sentence would be beneficial to users to reinforce the requirements regarding the manner in which reports are to be distributed and recognize the distinction between audit organizations in government entities and public accounting firms.

We have concerns with paragraph 9.24, Requirement: Reporting on Internal Control, in regards to the first sentence, specifically relating to "the concept of accountability for use of public resources and government authority," and how it would be described in a report. Paragraph 1.02 introduces the importance of the concept of accountability for the use of public resources as it pertains to governing and paragraph 3.09 characterizes the concept as a distinguishing mark of an auditor, which GAGAS embodies. Despite the inherent connection between a GAGAS audit and public accountability, there is no specific audit requirement for an auditor to consider the concept of accountability for use of public resources and government authority while assessing audit risk associated with internal control. Therefore, we do not believe it is appropriate to require the auditor to report on these considerations. While we agree that these concepts are inherently supported by having good internal controls, we believe it would be difficult to verbalize in a meaningful manner how these concepts impact the auditors assessment of risk associated with internal control. We believe this would ultimately result in boilerplate language that would not be useful to the users of the report. If GAO decides to retain the sentence referenced above, we suggest additional application guidance to assist the auditor in determining the extent and manner in which to report on this requirement.

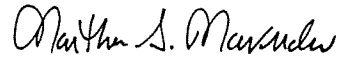
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We appreciate the efforts of the Government Accountability Office and the opportunity to provide our comments. Should you have any questions or need additional information concerning our response, please contact Zach Borgerding or me at [REDACTED]

Sincerely,



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