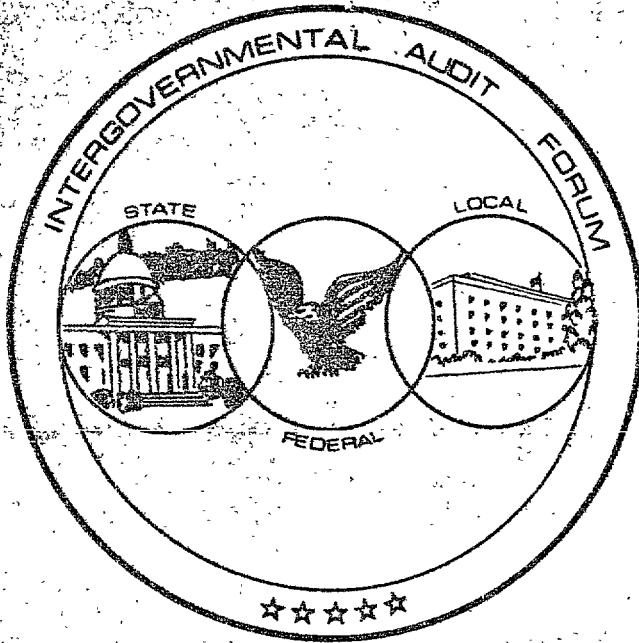


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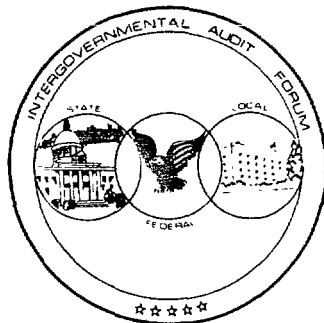
# STATEMENTS OF POSITION ON AUDITING IN THE GOVERNMENT SECTOR

ISSUED BY THE INTERGOVERNMENTAL AUDIT FORUMS

1978

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# STATEMENTS OF POSITION ON AUDITING IN THE GOVERNMENTAL SECTOR



STATE-FEDERAL-LOCAL

ISSUED BY  
THE INTERGOVERNMENTAL AUDIT FORUMS

## FOREWORD

The intergovernmental audit forums were established as a result of discussions held in September 1972 between Elmer B. Staats, Comptroller General of the United States; Dwight Ink, then Assistant Director for Organization and Management Systems in the Office of Management and Budget; and the members of the Post Audit workshop, National Legislative Conference, Council of State Governments.<sup>1/</sup> During that meeting the State auditors suggested that a national council of audit be established to improve audit cooperation at all levels of government. It was pointed out that if such an organization, composed of auditors from Federal, State and local governments, existed, it could be instrumental in improving audit planning and cooperation between Federal agencies and State and local audit organizations--thus reducing duplication of audit effort and maximizing the results that could be obtained from the combined resources of all the offices concerned.

As a result of this meeting and subsequent efforts, over the next two years a National and 10 regional intergovernmental audit forums were organized. Composed of the directors of Federal, State, and local government audit agencies, the forums' objectives are to exchange views, resolve issues through discussion before they become problems, and achieve coordination and cooperative working relationships among Federal, State, and local government audit organizations.

The National Intergovernmental Audit Forum is composed of 19 Federal, 10 State, and 6\* local government audit directors. This includes representatives from the General Accounting Office, the Office of Management and Budget, the Department of Treasury, and all principal grantmaking Federal agencies, as well as representation from State and local governments that receive and administer Federal grants. In

<sup>1/</sup>Represented by William Snodgrass, Comptroller of the Treasury, Tennessee; Pierce J. Lambdin, then Legislative Auditor, Maryland; Robert Ringwood, State Auditor, Wisconsin; John Proctor, then State Auditor of Colorado; David Thomas, then Auditor General of Illinois; and Terry Smith, then State Associate, Council of State Governments.

\*By an Amendment to the National Charter, local representation was increased to ten, effective July 1, 1978.

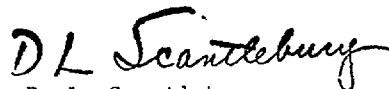
each of the 10 Federal regions, there is a regional inter-governmental audit forum; these forums vary in size, depending upon the number of Federal agencies having offices in the region, the number of States in the region, and the number of local government auditors that participate in the forum. Because of their membership and focus on improving the efficiency and effectiveness of auditing, these inter-governmental audit forums provide a means through which the opinions and problems of all governmental audit agencies in the United States can be discussed.

The forums meet several times a year to discuss and resolve matters of interest to their members. When the members reach a consensus on issues of major importance to the forums and the profession of government auditing, the forum concerned issues a statement of position that is disseminated to all persons and organizations interested in governmental auditing.

On February 1, 1977, the forums adopted "Guidelines for Preparation and Issuance of Position Statements". Under the guidelines, position statements of National concern will be issued by the National Forum. Prior to issuance, the draft position statements will be subject to review and concurrence by the regional forums.

Position statements issued before February 1, 1977, were not reviewed by the regional forums.

This pamphlet contains the position statements approved to date. Although compliance with these position statements is purely voluntary on the part of government agencies, it is hoped that these statements, expressing as they do the consensus of Federal, State, and local auditors throughout the nation, will be accepted and used by all persons and organizations--public and private--that are involved in governmental auditing.



D. L. Scantlebury  
Chairman, National Forum



John J. Jordan  
Vice Chairman, National Forum

June 30, 1978

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NATIONAL INTERGOVERNMENTAL AUDIT FORUM

## POSITION STATEMENT

NO. 75-1

DATE August 6, 1974

TITLE: REGISTER OF AUDIT AGENCIES

**CONTENT:** As part of its overall program to encourage coordination of audit activity, the NIAF has identified a need to develop a register of governmental audit agencies and officials currently engaged in this function at Federal, State and local governmental levels. In recognition of this need, the General Accounting Office has recently published a partial listing of central State audit agencies and plans to publish a national register of central audit agencies at the State level.

For the purpose of expanding this program initiated by GAO, as well as to provide a basis for maintaining such registers on a current basis, the Forum adopts the following "statement of position":

Each regional forum is encouraged to develop and maintain a regional register of audit organizations (Federal, State and local) within their respective regions. It is suggested that such registers should include governmental audit units where such units have primary responsibility for the conduct of independent examinations of other elements of their own or other governmental agencies. For each organization we suggest that the register should contain name of organization including parent department, if applicable, and name, title, address and phone number of each principal audit official. It is further suggested that copies of registers be distributed to all organizations listed and to the NIAF and that procedures be instituted for maintaining and updating registers.

TRANSMITTAL LETTER NO. 001

DATED November 11, 1974



NATIONAL INTERGOVERNMENTAL AUDIT FORUM

## POSITION STATEMENT

NO. 75-2

DATE August 6, 1974

TITLE: INTERGOVERNMENTAL AUDIT AGENCY COOPERATION

CONTENT: In keeping with the primary purpose for the creation of the NIAF to promote and encourage inter-agency cooperative efforts in the conduct of audits, the Forum does hereby adopt the following positions:

1. ADVANCE NOTIFICATION

Each Federal audit organization is encouraged to give reasonable advance notification of commencement of planned audit activity to responsible State or local audit official(s) for the jurisdiction to be audited, except where such notification would inhibit proper performance of an audit. When deemed appropriate or when specifically requested by Federal agencies, State and local units are encouraged to cooperate by providing for advance notification to cognizant Federal agencies.

2. FEDERAL AND STATE EXCHANGE OF AUDIT SCHEDULES

Federal, State and local audit staffs are encouraged to publish and exchange schedules of audit work programs in which other auditors have concurrent audit jurisdiction at the earliest time possible. This information will facilitate the coordination of audit activity and provide opportunities to organize cooperative concurrent audit activities within agencies scheduled to be audited.

3. EXCHANGE OF AUDIT REPORTS

Federal, State and Local audit agencies having concurrent jurisdiction in specific areas should work toward and encourage the free exchange, upon request, of audit reports covering program areas where such concurrent audit jurisdiction occurs.

TRANSMITTAL LETTER NO. 001

DATED November 11, 1974

Position Statement  
Intergovernmental Audit  
Agency Cooperation

75-2  
August 6, 1974

4. EXIT CONFERENCE

Federal, State and local audit staffs are encouraged to notify, in a timely manner, audit agencies having concurrent audit jurisdictions as to exit conferences relating to audits within those jurisdictions. Arrangements for attendance, however, is a matter to be worked out by the organizations involved.





NATIONAL INTERGOVERNMENTAL AUDIT FORUM

## POSITION STATEMENT

NO. 75-3

DATE August 6, 1974

TITLE: AUDIT GUIDES

CONTENT: To further promote the goals of NIAF with respect to sharing of information and cooperation among interested audit organizations, the Forum hereby adopts the following positions:

1. Organizations preparing new or revised audit guides should be encouraged to give proper recognition to, or incorporate, GAO audit standards within guides issued by them for use by others for the audit of government agencies and operations.
2. A centralized library of such audit guides should be established and maintained by GAO.
3. Organizations that prepare new or revised audit guides, intended for use by the audit staffs of other organizations or by independent practitioners are encouraged to submit the audit guides to an appropriate committee of the Forum for informal review and comment.
4. A register of such audit guides should be developed and published by GAO with pertinent information on issuers and nature of each guide.

TRANSMITTAL LETTER NO. 001

DATED November 11, 1974



NATIONAL INTERGOVERNMENTAL AUDIT FORUM

## POSITION STATEMENT

NO. 75-4

DATE August 5, 1975

TITLE: **CLARIFICATION: APPLICATION OF GENERALLY ACCEPTED OR OTHER SPECIFIED ACCOUNTING PRINCIPLES**

CONTENT: The Comptroller General's Standards for Audit of Governmental Organizations, Programs, Activities & Functions states that each audit report containing financial reports shall "Contain an expression of the auditor's opinion as to whether the information in the financial reports is presented fairly in accordance with generally accepted accounting principles (or with other specified accounting principles applicable to the organization, program, function or activity audited)..."

In every case, the auditor will be required to exercise his independent judgment as to whether generally accepted accounting principles have been followed. In those cases where other specified accounting principles are required by law or regulation, the auditor shall express an opinion which discloses the deviation from generally accepted accounting principles.

If the audited organization has followed the accounting principles and practices specified by law or regulation, the auditor should disclose any significant variances resulting from the different accounting principles. For further information auditors should refer to Statement on Auditing Standards No. 2, October 1974, issued by the Auditing Standards Executive Committee of the American Institute of Certified Public Accountants.

TRANSMITTAL LETTER NO. 002

DATED AUG 29 1975



NATIONAL INTERGOVERNMENTAL AUDIT FORUM

## POSITION STATEMENT

NO. 75-5

DATE August 5, 1975

TITLE: CONTRACTING FOR AUDITS BY PUBLIC ACCOUNTANTS

CONTENT: Government agencies, when contracting for audits by other than government employed auditors, should be encouraged to engage public accountants by competitive negotiations that take into consideration such factors as the experience, plans, qualifications and price of the offeror. The weights to be assigned to each factor should be tailored to the particular tasks to be performed. Potential offerors should be informed of the selection factors.

Federal, State and local governments should use their official contracting procedures for the engagement of public accountants.

TRANSMITTAL LETTER NO. 002

DATED AUG 29 1975



INTERGOVERNMENTAL AUDIT FORM

## POSITION STATEMENT

NO. NIAF 78-1

DATE April 10, 1978

**TITLE:**

RECOMMENDED STANDARD OPINION LANGUAGE  
FOR AUDITS OF GRANT COSTS

The intergovernmental audit forums have been organized to assist in increasing the efficiency and effectiveness of government auditors, particularly as their activities relate to the review of federally assisted programs.

These organizations include the National and ten regional intergovernmental audit forums corresponding to the Federal regions. Membership is voluntary and is composed of the heads of the Federal, State and local government audit agencies operating in the region.

From time to time the forums issue position statements. These statements are intended to serve as guides toward efficient and effective auditing practice.

It is recognized that within professional organizations, there will be varying degrees of minority opinion. Therefore, these position statements do not necessarily represent the unanimous opinion of the forum members; however, they do represent the consensus of the heads of government audit agencies who are members of the issuing forum. Similarly, acceptance of the policies and procedures as set forth is solely within the province of the individual audit groups. The forums believe that their general use will help to increase the efficiency and effectiveness of intergovernmental auditing.

PROBLEM BEING ADDRESSED  
IN THIS POSITION STATEMENT

The intergovernmental audit forums present herewith their recommendation for language to be used in opinions for audits of statements of grant costs.

STATEMENT OF POSITION

The intergovernmental audit forums recommend the following language be used as an opinion statement for audits of statements of grant costs:

"We have examined the Statement of Grant Costs of the (Grantee) for the period (date) to (date). Our examination was made in accordance with the financial and compliance standards set forth in the auditing standards for governmental activities published by the Comptroller General of the United States<sup>1/</sup>, and the audit guide, and accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

"The aforementioned statement sets forth \$           of auditor recommended cost adjustments. The final determination as to whether such costs are allowable under the terms of the grant agreement will be made by (name of agency).<sup>2/</sup>

"In our opinion, subject to the effects, if any, of the ultimate resolution of the matter discussed in the preceding paragraph<sup>2/</sup>, the accompanying Statement of Grant Costs presents fairly the (budgeted costs)<sup>3/</sup> and costs claimed applicable to (grant program) for the period (date) to date in conformity with generally accepted accounting principles<sup>4/</sup> and the terms and conditions of the grant agreement (applied on a basis consistent with that of the preceding period.)<sup>5/</sup>"

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<sup>1/</sup>At the option of the auditor, the phrase "generally accepted auditing standards" may be used in lieu of "the financial and compliance standards set forth in the auditing standards for governmental activities published by the Comptroller General of the United States". The two sets of standards are identical except that the Comptroller General's standards contain additional requirements for audits that include consideration of economy and efficiency of operations and effectiveness in achieving program results. The Comptroller General's standards are the preferred citation, however, since these standards are designed specifically to apply to audits of governmental units.

2/This paragraph and clause would be omitted if there are no recommended cost adjustments.

3/This phrase should be omitted if the auditor's work did not include examination of the budget. If the budget is shown but the auditor has not examined it, a separate sentence should be added at the end of the first paragraph as follows: "Budgeted costs were taken from the (grantee) records without audit and are not included in the opinion given below."

4/If other accounting principles are used, the phrase "generally accepted accounting principles" will be replaced by citing the accounting principles followed. (See NIAF Position Statement 75-4 and AICPA's Statement on Auditing Standards No. 14, Special Reports).

5/To be used when applicable.

#### DISCUSSION

When standard opinion language is used to express an unqualified opinion in an audit of a governmental activity, the meaning of the statement will be more easily understood and it will be more acceptable. We believe that if auditors' opinion statements are worded consistently and uniformly, the professional integrity of governmental audit reports will be advanced. If the audit or examination covers non-financial areas of compliance, such as program legal requirements, these should be treated separately with an original statement.

#### VOTE OF ISSUING FORUM (NATIONAL) TO ACCEPT THIS STATEMENT

| <u>Membership Group</u> | <u>For</u> | <u>Against</u> |
|-------------------------|------------|----------------|
| Federal                 | 17         | 0              |
| State                   | 9          | 0              |
| Local                   | 5          | 0              |



INTERGOVERNMENTAL AUDIT FORM

## POSITION STATEMENT

NO. NIAP 78-2

DATE April 10, 1978

**TITLE:**

CPA QUALIFYING EXPERIENCE

The intergovernmental audit forums have been organized to assist in increasing the efficiency and effectiveness of government auditors, particularly as their activities relate to the review of federally assisted programs.

These organizations include the National and ten regional intergovernmental audit forums corresponding to the Federal regions. Membership is voluntary and is composed of the heads of the Federal, State, and local government audit agencies operating in the region.

From time to time the forums issue position statements. These statements are intended to serve as guides toward efficient and effective auditing practice.

It is recognized that within professional organizations, there will be varying degrees of minority opinions. Therefore, these position statements do not necessarily represent the unanimous opinion of the forum members; however, they do represent the consensus of the heads of government audit agencies who are members of the issuing forum. Similarly, acceptance of the policies and procedures as set forth is solely within the province of the individual audit groups. The forums believe that their general use will help to increase the efficiency and effectiveness of intergovernmental auditing.

PROBLEM BEING ADDRESSED  
IN THIS POSITION STATEMENT

Attraction and retention of good professional staff to governmental service can be enhanced if such experience does not inhibit the ability to obtain a CPA certificate. State boards of accountancy frequently demand additional qualifying time by governmental auditors, or fail to recognize governmental auditing experience as qualifying for awarding a CPA certificate.

STATEMENT OF POSITION

The intergovernmental audit forums encourage and support: (1) adoption of State legislation and administrative regulations that will provide for equal treatment for governmental experience; (2) appointment of government auditors to State boards of accountancy; and (3) the efforts of other organizations to eliminate the equity problem of CPA qualifying experience.

DISCUSSION

In those States where experience requirements exist, we believe that equivalent experience in governmental audit organizations should be considered equal to that obtained with public accounting firms.

Additionally, to foster better understanding of the nature of governmental accounting and auditing, the intergovernmental audit forums support the appointment of governmental auditors who are CPA's to State boards of accountancy.

VOTE OF ISSUING FORUM (NATIONAL)  
TO ACCEPT THIS STATEMENT

| <u>Membership</u> | <u>FOR</u> | <u>Against</u> |
|-------------------|------------|----------------|
| Federal           | 17         | 0              |
| State             | 9          | 0              |
| local             | 5          | 0              |