

July 5, 2017

Dear Government Accountability Office,

Thank for you for the opportunity to comment on the *Government Auditing Standards* 2017 Exposure Draft (the Yellow Book ED) and thank you also for taking on this project. I will limit my comments to the two areas specified below where I believe potential advancements can be made to the Yellow Book ED.

1. The proposed new category of finding related to waste in 6.21 and other sections. The definition of *waste* found in 6.17 is subjective in nature and potentially a distraction from the more objective value of an audit. For example, City X has been disappointed by its declining library usage over the past decade. Instead of really assessing the reasons for its declining usage, City X makes a controversial decision to build a new library in 2018 at a significant cost in hopes of reviving its library usage. In 2019 and 2020, library usage continues to decline. In 2021, the library is closed and in 2022 City X sells the building for a material loss. While some taxpayers may feel an investment in a library is always worthwhile, other taxpayers could look at the definition of *waste* in 6.17 and say that City X's decision to build the library meets the definition of waste as government resources were spent rather carelessly and taxpayers did not receive reasonable value for their money in connection with the activity because of an omission by parties with control over government resources to properly assess the situation. Those taxpayers would likely say that City X's decision also involved mismanagement, inappropriate actions, and inadequate oversight.

In the above scenario, the auditor could be forced into a political debate over the wisdom of City X's decision to build a library. The value of the audit in the taxpayers' eyes could be diminished based on how the auditor concluded on the potential waste finding (i.e., some users might say if the auditor couldn't make the right call on the waste finding how could they be trusted to make the right call on the accuracy of the financial statements). If an auditor ultimately concluded that the library decision would qualify as a waste finding, the next issue would be which year(s) the finding should have been reported (i.e., in 2018 when the poor decision originated, in 2019 or 2020 when it became clear a poor decision had been made, in 2021 when the library was shuttered, or in 2022 when the material loss was ultimately realized). The auditor's core responsibility is to provide an opinion on whether the financial statements are fairly stated in all material respects. While the auditor also has related responsibilities in areas such as internal control deficiencies, noncompliance, fraud and abuse, those responsibilities are well defined and less dependent on the political views of the auditor or the public. If the GAO feels that the concept of waste simply must be included in the Yellow Book, I recommend that you consider refining the definition of waste to exclude poor decisions made by elected leaders in the normal governing process and also adding language as we have for abuse findings that because the determination of such a finding is subjective, auditors are not required to perform procedures to detect such findings in financial audits.

2. The description of courses which qualify for the 56-hour requirement in paragraph 4.25. Let me admit upfront that I am a fan of the current Yellow Book CPE guidance document (a.k.a. *Guidance on GAGAS Requirements for Continuing Professional Education*) as it answers virtually every Yellow Book CPE question that I have ever encountered. However, I can appreciate the goal that the GAO has taken to reduce the volume of CPE guidance. I do have concerns that the reduced description of courses which qualify for the 56-hour requirement in the Yellow Book ED from what we presently have in the Yellow Book CPE guidance document will lead to different interpretations by auditors and CPE providers. For example, does a fraud course that is not standards based (i.e., it largely ignores AU-C section 240) and that is not specific to governments or not-for-profits qualify for the 24-hour requirement or the 56-hour requirement? Today, based on the Yellow Book CPE guidance document (paragraph 19.), every CPE provider and practitioner that I know of interprets this course as counting towards the 56-hour requirement. Under the Yellow Book ED, some may reach different decisions regarding such a course as the same level of clarity is not provided. I also believe that the treatment of individual taxation courses (which presently are excluded from meeting the 56-hour requirement) could be interpreted differently under the reduced guidance in the Yellow Book ED. I believe with a little more guidance and clarity being pulled in from the Yellow Book CPE guidance document that all practitioners can operate on the same level playing field however the GAO wants to stripe it.

Again, thank you for taking on this project and the opportunity to comment.

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