

**From:** [REDACTED]  
**To:** [REDACTED]  
**Subject:** Comments on 2017 Gov't Auditing Stds. Exposure Draft  
**Date:** Friday, July 07, 2017 2:46:19 PM

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Greetings:

Here are my comments/questions for the following sections:

3.25 Auditors in government sometimes work under conditions that do not permit independence in accordance with this section. Examples of such circumstances include statutory requirements for auditors to serve in official roles that conflict with the independence requirements of this section and civil service statutes that permit staff members to seek employment with audited entities. Auditors who experience such conflicts and are unable to mitigate the resulting independence impairments in accordance with this section may refer to the GAGAS provision for modified GAGAS compliance statements in paragraph 2.16 for guidance.

Comment/Question: How many years or what period of time is acceptable before staff members can seek employment with audited entities. Can an employee seek recusal from being assigned to audit the previous employer?

3.31 Auditors should conclude that independence is impaired if no safeguards have been effectively applied to eliminate an unacceptable threat or reduce it to an acceptable level.

Comment: Eliminate not mitigate? What is the basis before it can be said that the threat has been reduced to an acceptable level?

3.46 Examples of circumstances that create self-interest threats for an auditor include the following:

- a. An auditor discovering a significant error when evaluating the results of a previous professional service provided by a member of the auditor's audit organization.

Comment/Question: What is the threshold or basis for an error to be considered significant?

3.49 Examples of circumstances that create familiarity threats for an auditor follow:

- e. Senior audit personnel having a long association with the audited entity.

Comment/Question: How many years before a senior audit personnel can have a rotational assignment to avoid "familiarity threats"?

3.50 Examples of circumstances that create management participation threats for an auditor follow:

- a. A member of the engagement team being, or having recently been, a

principal or senior manager of the audited entity.

Comment/Question: How many years to be considered recent? One – three years? Or does it depend on the previous position held by the member of the engagement team?

c. An audit organization principal or employee recommending a single individual for a specific position that is key to the entity or program under audit, or otherwise ranking or influencing management's selection of the candidate.

Comment/Question: Recommending "single individual" what if the auditor recommended two but left the decision making process of selection to the management? (e.g. executive search)

d. An auditor preparing management's corrective action plan to deal with deficiencies detected in the engagement.

Comment/Question: Some clients would ask the auditor to assist them in preparing corrective action plan. If the decision is left with the client, is this acceptable?

3.52 Examples of circumstances that create structural threats for an auditor follow:

b. For internal audit organizations, administrative direction from the audited entity's management.

Comment/Question: A CPA can have another junior auditor help the client with some accounting work, e.g. bank reconciliation, collating supporting documents for accounts payable – is this acceptable?

3.89 Auditors should 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, and should document the threats and safeguards applied to eliminate and reduce threats to an acceptable level or decline to perform the services.

Comment/Question: These are duties of regular accounting staff within the entity – Maybe add a statement – any function that is performed by an entity's accounting or bookkeeping staff.

**4.2** The audit organization's management must assign auditors to conduct the engagement who at the time of the assignment collectively possess the competence needed to address the engagement objectives and perform their work in accordance with GAGAS.

Comment/Question: The supervisor should at least have a certification, e.g. CPA, CIA, CFE.

Should be a requirement for those conducting and reviewing statements using GAGAS whether certified or not.

5.11 Written affirmation of compliance with its policies and procedures on

independence from all audit organization personnel required to **be independent may be in paper or electronic form**. By obtaining affirmation and taking appropriate action on information indicating noncompliance, or **potential noncompliance**, the audit organization demonstrates the importance that it attaches to independence and keeps the issue current for, and visible to, its personnel.

Comment/Question: What if supervisor is not a member of any professional organization – are there any safeguards to be considered compliant with GAGAS?

5.19 Objectives of the audit organization's **human resources** policies and procedures include

- a. promoting learning and training for all staff to **encourage their professional development and to help ensure that personnel are trained in current developments** in the profession; and
- b. helping ensure that personnel and any parties contracted to carry out work for the audit organization have an appropriate understanding of the environment(s) in which the audit organization operates and a good understanding of the work they are required to carry out.

Comment/Question: These standards, are they only for organizations conducting GAGAS audits? How about agencies that do not conduct such audit but review the work of auditors/CPA firms that conducted the Single Audit in accordance with GAGAS.

6.8 One example of a **law or regulation requiring an audit that does not specifically identify the entities to be audited is the Single Audit Act Amendments of 1996.**

Comment/Question: How about 2 CFR 200, is there no reference in the Uniform Guidance?

*Guidance: Reporting to Findings Directly to Parties outside the Entity*

**6.51** The reporting in paragraph 6.48 is in addition to any legal requirements to report such information directly to parties outside the audited entity *Application*

Comment/Question: Whistle blower or report anonymously to the OIG?

*Requirements: Reporting Confidential or Sensitive Information*

**6.59** If certain information is prohibited from public disclosure or is excluded from a report because of its confidential or sensitive nature, **auditors should disclose in the report that certain information has been omitted and the circumstances that make the omission necessary.**

Comment: Single Audit reports of Indian Tribes are confidential –

*Requirement: Investigations or Legal Proceedings*

**7.13** Auditors should inquire of management of the audited entity whether any investigations or legal proceedings significant to the engagement objectives have been initiated or are in process with respect to the period under examination, and

should evaluate the effect of initiated or in- process investigations or legal proceedings on the current examination engagement.

Comment/Question: Is this under Forensic Auditing?

***Requirements: Licensing and Certification***

**7.69** Auditors engaged to conduct review attestation engagements and reviews of financial statements in the United States **who do not work for a government audit organization should be licensed CPAs**, persons working for a licensed certified public accounting firm, or licensed accountants in states that have multiclass licensing systems that recognize licensed accountants other than CPAs.

Comment/Question: For those who work for a government audit organization, it is preferable that they are licensed CPAs or work under the direction of licensed CPAs. It has to do with the working knowledge of the GAGAS and professional/ethical standards that CPAs follow.

Thank you for giving us the opportunity to comment on this Exposure Draft.

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*Lead by example...*