

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

RE: GAO-17-313SP Government Auditing Standards Exposure Draft

On behalf of the State and Local Government Committee of the Florida Institute of CPAs (the "Committee") we offer the following comments pertaining to the GAO-17-313SP Government Auditing Standards Exposure Draft. In order to facilitate a more productive response we followed the areas of comment in Enclosure 2.

#### **Discussion Item 1)**

The Committee all agreed that the new format and layout makes it easier to follow.

#### **Discussion Item 2) (regarding Chapter 3)**

The Committee recognizes the need for the SKE to maintain independence. Our concern lies with the word choice of "*detect*" in Paragraph 3.67. We believe that the words "*recognize*" or "*identify*" would be more descriptive. In other words, the Committee feels that putting the burden on auditors to determine if the suitable individual is "*capable of detecting a material error, omission, or misstatement*", is very subjective. For auditors to make a subjective determination if the individual could *detect* is a higher level than *identify*, or *recognize*. We believe this will create a large amount of confusion and diversity in implementation which would have an overall opposite effect of what the prosed standard is attempting to accomplish.

#### **Discussion Item 3) (regarding Chapter 4)**

The Committee had no issues with the roles, descriptions, and level of proficiency requirements.

#### **Discussion Item 4) (regarding Chapter 4 CPE)**

The Committee liked the idea of a 4 hour specific class. The Committee raised a concern over the wording in 4.16 with the term "*should*" as it relates to the CPE provider. The GAO and GAGAS do not have oversight and jurisdiction over CPE providers. The term "should" implies it is "presumptively mandatory" per governmental standards.

In addition, Section 4.15 may need some clarity regarding the timing of the CPE, with respect to the issuance of the new GAGAS. We believe the term "first" implies that supervisors and partners need the new 4 hour course before the very first GAGAS audit they have ever performed – not the first one after the release of the new Yellow Book for GAGAS experienced supervisors and partners. If the latter, for GAGAS experienced supervisors and partners, we envision timing, potential delays, and the availability of the course as problems relative to obtaining the CPE for the GAGAS engagements that are in progress.

**Discussion Item 5) (regarding Chapter 4 CPE)**

The Committee noted that there were specific examples given in the GAGAS guidance document on CPE (GAO-05-568G), specifically Paragraph 18 regarding the 24 hours and paragraph 19, regarding the 80 hours. We suggest the new GAGAS contain an appendix with the examples that were provided in the GAGAS guidance document. We believe examples provide clarity and direction which helps meet the objectives of the new proposed standard.

**Discussion Item 6) (regarding Chapter 5 Quality Control and Peer Review)**

The Committee appreciates that the peer review requirements for each category of audit organizations are clear. No issues.

**Discussion Item 7) (regarding Chapter 5 Quality Control and Peer Review)**

We did note that in 5.64, the “recognized organizations” is used, with a. through e. provided. The Committee was unclear of what audit organizations would not be affiliated with one of the organizations listed. We therefore suggest certain examples be provided.

**Discussion Item 8) (regarding Chapter 7)**

The Committee noted in section 7.68 there is cross reference to a specific standard (SSARS 21), instead of a general reference, which could be very problematic in the future if the specific standard is changed. Since, GAGAS is not updated as often as the SSAEs, we recommend a general sentence be added to say “or as amended from time to time”, or perhaps changing the specific reference to a general reference.

**Discussion Item 9) (regarding Chapter 8 Fieldwork Standards for Performance Audits)**

The Committee has no comments on performance audits, as the members of the committee do not focus on performance audits.

**Other Discussion Item regarding the term “Waste” in Chapters 6 and 7**

We noted that the “discussion items” asked for comment in enclosure 2, did not include a discussion on “waste”. Our Committee has strong concerns about this issue. Waste should not be addressed in a financial audit or attestation engagements. It is more in the realm of operational or performance audits (Chapters 8 and 9).

However, if the GAO believes this should be included we make the following recommendations.

We noted that the definition of waste is not found in Section 1.23, which we recommend adding (as well as abuse). We noted it is defined, or described in Section 6.17.

The Committee has an overall concern of the subjective nature of the term “waste”. Auditors will be required to address waste, and the very subjective nature of that is perceived differently by all users of a government financial

statement, as well as interpreted differently by auditors, resulting in differing implementation and inconsistency in its application.

Furthermore, per Section 6.39, an auditor's reporting burden should address items that are not considered material, but "*which warrants the attention of those charged with governance*". This increases the need for further clarity, and less subjectivity, since the materiality threshold has been reduced.

It will be extremely difficult for an auditor to determine "no purpose", "receiving reasonable value", "mismanagement" and "inappropriate acts", as identified in Section 6.17.

**The Committee thanks the GAO for the opportunity to respond to this exposure draft and if we can provide any further clarity or explanation of our concerns or comments.**

**Sincerely,**

**The FICPA State and Local Governmental Section**