

From: Lee, Jake [REDACTED]
Sent: Saturday, May 20, 2017 12:40 PM
To: Yellow Book Comments
Subject: Yellow Book Comments

Good morning and thank you for the opportunity to comment on the Yellow Book.

General Comments/questions: A preface or some interpretative document that specifically outlines the scope and applicability of the Yellow Book would be appreciated. For example, there are only certain standards that should trigger whether or not an entity follows GAGAS or GASB in their operations. Can there be a clear differentiation, and some examples as to when one standard is applicable over another and what situations GAGAS may supersede GASB or vice versa? Is the Yellow Book's intent to address those entities who deal with Federal Dollars? In other words, does the Yellow Book generally only come into play when there is federal grant money involved (single audit standards) or some other form of Federal compliance which is required?

Section comments/questions:

- 1) 2.11 if auditors may use GAGAS standards simultaneously with other standards, when does one supersede the other? When is GAAP or GASB applicable and GAGAS is not or vice versa?
- 2) 3.18-3.20 - Clarification on independence. In other words, independence does not mean segregation of duties, but rather separate (at least from how I read the text). So, in other words, management cannot force the auditor to do something that would be unethical or illegal by virtue of their position in the organization.
 - a. Does this independence mean that if a state requires counties or municipalities of a certain size to serve in the dual capacity of auditor and accountant, the state statute does not prevail? What is the state also requires that there is an outside auditor to conduct a review of the financial statements prepared by the internal audit/accounting staff to ensure the fair presentation of the financial statements? When in GAGAS or the Yellow Book applicable?
- 3) 3.03 and various areas - Clarification of audit organization. I take this to mean outside/external auditors opposed to internal auditors. The audited entity would be the governmental organization (i.e. County as an example) and the audit organization would be the outside auditor. Is that a fair interpretation?
- 4) 3.58 – can an independently elected auditor qualify here as being independent if he or she conducts the accounting duties? The internal auditor would be responsible for auditing other departments and the outside auditors would audit the work of the internal auditor.
 - a. Do specific responsibilities and duties vested by law supersede the “recommendation for independence” from activities that could have the perception of being audited by the one conducting the work? Is it enough to “trust” that one elected to a position described by statute can conduct duties and activities and he or she sees ethical and legal and allow the outside audit firm to be a check on the conduct of those duties?

Respectfully submitted,
Jacob M. "Jake" Lee

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