



IN REPLY REFER TO

**DEFENSE CONTRACT AUDIT AGENCY**  
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PAS 730.3.B.2.3

July 6, 2017

Government Accountability Office  
Washington, DC 20548

SUBJECT: Comments on Proposed Changes to Generally Accepted Government Auditing Standards

Dear Sir or Madam:

This letter provides the Defense Contract Audit Agency's (DCAA) comments on the Government Accountability Office (GAO) April 2017 exposure draft of Generally Accepted Government Auditing Standards (GAGAS) (GAO-17-313SP). Our comments are included as an enclosure for areas relevant to DCAA operations. We have categorized our comments by GAO question numbers and/or paragraph numbers in the proposed standards.

Thank you for the opportunity to comment on the proposed revision. Please direct any questions to Ms. Rene Morgan, Chief, Auditing Standards Division, at [REDACTED]

Sincerely,

/s/  
Jennifer L. Quinones  
Deputy Assistant Director  
Policy and Plans

Enclosure:  
Comments on Proposed GAGAS

## **Comments on April 2017 Exposure Draft of Generally Accepted Government Auditing Standards (GAGAS)**

### GAO Questions for Commentators

**Question No. 1** Generally Accepted Government Auditing Standards (GAGAS) is presented in a revised format. This is intended to allow auditors to quickly identify requirements and application guidance related to those requirements. In addition, certain topics are regrouped within the chapters.

Please comment on how the revised format of GAGAS affects the organization and readability of the standards.

### **DCAA Comment**

We generally agree that the revised structure will allow for quick identification of requirements and the related application guidance. However, we believe the structure would be enhanced by including indicators in the numbering system identifying and differentiating between requirements and application guidance. For example, AICPA Statement on Standards for Attestation Engagements No. 18 differentiates between Requirements and Application or Other Explanatory Material by prefacing the Application or Other Explanatory Material paragraph number with an “A” (e.g., AT-C §105.A1).

GAGAS paragraphs are often referenced in an organization’s guidance and comments by reviewers (e.g., peer reviewers). Including requirement and/or application guidance indicators in the numbering system allows readers to immediately know what is being referenced. A possible solution would be to end all requirement paragraph numbers with “r” and application guidance paragraph numbers with “ag.”

**Question No. 3.** In Chapter 4 (“Competence and Continuing Professional Education”), GAGAS discusses the levels of proficiency required for the roles on an engagement as well as a description of the tasks generally expected to be performed by auditors in these roles. (Paragraphs 4.09 through 4.10)

Do these roles and descriptions clarify the competence required of auditors conducting engagements in accordance with GAGAS? Is the level of proficiency expected for each of these roles clear?

### **DCAA Comment**

The roles and descriptions do not clarify the competence required of auditors conducting engagements in accordance with GAGAS, and do not appropriately identify the level of proficiency expected for these roles. The roles and descriptions appear to reflect Independent Public Accountant organizational structures. As such, it does not correlate to the varied structures and positions of government organizations. For example, the supervisory role in 4.10b is what some Government auditing entities would refer to as Senior or Lead Auditor. Supervisory staff in Government generally has management type responsibilities (i.e., reviewing engagements prior to issuing the report or signing the report). The description of the partners and directors better match the supervisory and manager roles in Government auditing. We believe the roles and descriptions are too restrictive and do not take into consideration the different staff assignments and levels of

proficiency in place at all organizations. Audit organizations should have flexibility to assign staff to assignments in the manner that makes sense for them while ensuring the staff collectively possesses the technical knowledge, skills and experience necessary for the type of engagement, and not be restricted to specific roles and descriptions that may not currently exist in an organization. Therefore, we do not believe these roles and descriptions are necessary, and we believe they result in more confusion than clarity for the expected proficiency.

**Question No. 4.** Chapter 4 (“Competence and Continuing Professional Education”) includes a requirement for auditors to complete at least 4 hours of continuing professional education (CPE) in GAGAS topics (“GAGAS Qualification”). This 4-hour requirement is a subset of the 24-hour CPE requirement and needs to be completed each time a GAGAS revision is issued. Application guidance provides examples of the types of topics that would qualify as GAGAS topics. (Paragraphs 4.15 and 4.23)

Please comment on any additional topics that could be included in the 4-hour GAGAS CPE requirement or other requirements that would enhance auditor proficiency in GAGAS.

**DCAA Comment**

The topics included in paragraphs 4.15 and 4.23 appear to be complete.

**Question No. 5.** The content from the GAGAS guidance document on CPE (GAO-05-568G) is largely incorporated into Chapter 4. We plan to retire the guidance document when the new GAGAS is issued. (Paragraphs 4.26 through 4.50)

Is there any additional application guidance that should be included in the GAGAS revision to enable auditors and audit organizations to effectively implement the CPE requirements given the planned retirement of the CPE guidance document?

**DCAA Comment**

The GAO-05-568G CPE information incorporated into the 2017 Exposure Draft appears sufficient.

**Question No. 6.** In Chapter 5 (“Quality Control and Peer Review”), the sections on quality control and external peer review are expanded to harmonize with other standards and promote consistency in practice across the range of GAGAS auditors.

Are the changes to the quality control and external peer review sections appropriate and reasonable?

**DCAA Comment**

We believe the changes to the quality control and external peer review sections are appropriate and reasonable.

**Question No. 9.** In Chapter 8 (“Fieldwork Standards for Performance Audits”), internal control considerations are expanded to reference the 2014 Standards for Internal Control in the Federal Government and Internal Control – Integrated Framework. (Paragraphs 8.37 through 8.65)

Do these sections clearly describe ways auditors assess internal control on performance audits?

**DCAA Comment**

Section 8.37 through 8.65 appears to clearly describe ways auditors assess internal control on performance audits.