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**To:** [Yellow Book Comments](#)  
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**Subject:** Yellow Book Comments  
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**Attachments:** [Amtrak OIG Comments on 2017 YB Exposure Draft.xlsx](#)  
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Good evening,

Thank you for the opportunity to comment on the 2017 revision to the Yellow Book. We consolidated comments from multiple individuals in our organization into one spreadsheet. The attached Excel file contains two tabs: the first addresses the specific questions posed at the beginning of the Exposure draft. The second tab contains additional comments on specific sections that were not directly addressed by the questions posed.

Please let me know if you have any questions.

Thank you,  
Whitney Miller

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Comments on GAO Yellow Book Exposure Draft

**GAO's Discussion Items**

GAO Statement	GAO Direction/Question	Amtrak OIG Comment
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.	The revised format is an improvement over prior versions and facilitates efforts to better identify the standard requirements and any related application guidance that might be provided. Highlighting specific requirements in borders surrounding the text is especially useful in helping readers quickly differentiate requirements from application guidance especially since the application guidance is not considered a requirement but information critical to understanding the requirements. Readers need to be able to make this distinction when reading the standards. In addition, the reorganization and realignment of some of the chapters improves focus and flow of the information particularly as it pertains to similar or like subjects such as Ethics, Independence, and Professional Judgment.
2. In chapter 3 ("Ethics, Independence, and Professional Judgment"), additional requirements and guidance are provided concerning the provision of nonaudit services to audited entities, including further explanation of the responsibility to ensure that management of the audited entity possesses the appropriate skills, knowledge, and experience to oversee the nonaudit service and expanding discussion of nonaudit services that should be considered threats or impairments to an external auditor's independence. (various paras. 3.67 through 3.101)	Please comment on whether the revisions related to nonaudit services sufficiently and clearly explain what is required and prohibited under GAGAS.	Except for this statement "If auditors <b>initially</b> identify a threat to independence after the audit report is issued, auditors should evaluate the threat's effect on the engagement and on GAGAS (para 3.38) compliance", the revisions related to nonaudit services sufficiently and clearly explain what is required and prohibited under GAGAS. The word <b>initially</b> makes it's a little confusing - is it necessary?
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. (paras. 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?	The competence required at each level is generally clear, however, the entry level appears to group new auditors with seasoned senior auditors operating in a non-supervisory capacity (4.10) and that section states these individual work situations are characterized by low levels of ambiguity, complexity, and uncertainty. Lumping seasoned auditors that work in a non-supervisory into this group ignores the fact that those individuals could appropriately operate in a more ambiguous environment. Suggest maybe adding a "senior auditor" role that would explicitly recognize that some non-supervisory auditors are capable of handling situations with greater levels of ambiguity, complexity, and uncertainty in planning and reporting the results of an audit.
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. (paras. 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	This change could be a difficult implement and enforce and it could have negative externalities (e.g. it could lead to wasted resources for repeated training for individuals who change jobs and the requirement that the 4-hours cannot be exempted, even if the individual's CPE hours are prorated to zero may affect organizations ability to hire staff on a schedule appropriate to meet their needs).  The change will be difficult to enforce for individuals who change jobs (esp those who migrate in and out of the accountability community) and organizations with small budgets that cannot afford to build their own training modules. In addition, if an individual obtains such training at one job and then moves to another, but does not bring their training certificates with them, their new organization may be forced to either not be in compliance with GAGAS or potentially pay for that individual to attend another training on this topic, thus wasting resources.  We have other concerns/questions associated with specific sections related to CPEs that we detail in this document in the tab entitled, "Comments on Specific Sections." Suggest GAO develop online training for this requirements to aid implementation
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. (paras. 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?	Overall we agree with the incorporation of the 2005 guidance in the GAGAS and the plan to retire the 2005 guidance. However, we have concerns/questions related to specific sections detailed in this document, in the tab entitled, "Comments on Specific Sections."
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?	We have some concerns/questions related to specific sections detailed in this document, in the tab entitled, "Comments on Specific Sections."
7. In chapter 5 ("Quality Control and Peer Review"), peer review requirements are categorized by requirements for (1) audit organizations affiliated with recognized organizations and (2) other audit organizations. (paras. 5.63 through 5.113)	Are the peer review requirements for each category of audit organization clear?	Yes, categories are clear
8. Chapter 7 ("Standards for Attestation Engagements and Reviews of Financial Statements") is expanded to incorporate by reference Statement on Standards for Accounting and Review Services No. 21, section 90, Review of Financial Statements, and includes additional requirements and guidance for reviews of financial statements conducted in accordance with GAGAS. (paras. 7.68 through 7.80)	Please comment on the expanded requirements and application guidance.	No Comments.

<u>GAO Statement</u>	<u>GAO Direction/Question</u>	<u>Amtrak OIG Comment</u>
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. (paras. 8.37 through 8.65)	Do these sections clearly describe ways auditors assess internal control on performance audits?	<p>Overall, we feel these sections clearly describe ways auditors can assess internal controls. In particular, 8.47-8.56 provide useful information on how to assess the effectiveness of internal controls, including information regarding the design, implementation, and operating effectiveness of controls that are significant to the audit objective.</p> <p>However, Chapter 8 includes some language that could be confusing when read in isolation from the other text:</p> <ul style="list-style-type: none"><li>- Paragraph 8.14 states that "GAGAS does not require auditors to obtain management assertions with respect to the subject matter when conducting a performance audit."</li><li>- Paragraph 8.95 states that "Auditors may request that management provide written representations as to the accuracy and completeness of information provided. However, this step is not a requirement for GAGAS performance audits." Thus, 8.95 appears to suggest that obtaining management comments on draft performance audits is a desired practice but not obligatory as they language includes "may" rather than "should."</li></ul> <p>Suggest that additional clarification or cross-references be added to limit any possible confusion with the requirements of 9.42 which clearly requires that the views of responsible officials be obtained on audit findings, conclusions, and recommendations, as well as any planned corrective actions. Obtaining management comments is an important audit step and helps ensure performance audits are objective, fair, and fact-based, and that any recommendations resulting from our audits are actionable and cost-effective.</p>

**ADDITIONAL COMMENTS**

GAGAS Section	Section Language	Amtrak OIG Comment
<b>Chapter 1 – Government Auditing: Foundation and Principles for the Use and Application of Generally Accepted Government Auditing Standards</b>		
	<p>GAGAS provides standards that are used by a wide range of auditors and audit organizations that audit government entities, entities that receive government awards, and other entities. These auditors and audit organizations may also be subject to additional requirements unique to their environments. Examples of the various types of users who may be required or may elect to use GAGAS include the following:</p> <p>C. Federal inspectors general: government audit organizations <b><u>within federal agencies</u></b> that conduct audits and investigations relating to the programs and operations of their agencies and issue reports both to agency management and to their parties external to the audited entity.</p>	<p>Suggest item c in the list be updated to include inspectors general for Designated Federal Entities (as not all federal IG's are within federal agencies).</p>
1.12	<p>This paragraph describes the use of the following terms in GAGAS.</p> <p>O. Specialist - An individual or organization possessing expertise in a field other than auditing that assists auditors in conducting engagements.</p>	<p>O. Would this include Communications Analysts and/or Editors?</p>
<b>Chapter 2 - General Requirements for Complying with Government Auditing Standards</b>		
2.02	<p>GAGAS uses two categories of requirements, identified by specific terms, to describe the degree of responsibility they impose on auditors and audit organizations:</p> <p>a. Unconditional requirements: Auditors and audit organizations must comply with an unconditional requirement in all cases where such requirement is relevant. <b><u>GAGAS uses must</u></b> to indicate an unconditional requirement.</p> <p>b. Presumptively mandatory requirements: Auditors and audit organizations must comply with a presumptively mandatory requirement in all cases where such a requirement is relevant except in rare circumstances discussed in paragraphs 2.03, 2.04, and 2.08. <b><u>GAGAS uses should</u></b> to indicate a presumptively mandatory requirement.</p>	<p>This section defines GAGAS's use of "must" and "should," but a number of sections use the words "auditors may." Suggest the document be updated to add a definition language for "may."</p>
2.14	<p>For performance audits, GAGAS does not incorporate other standards by reference, but recognizes that auditors may use or may be required to use other professional standards in conjunction with GAGAS, such as the following:</p> <p>a. International Standards for the Professional Practice of Internal Auditing, Institute of Internal Auditors, Inc.;</p> <p>b. Guiding Principles for Evaluators, American Evaluation Association;</p> <p>c. The Program Evaluation Standards, Joint Committee on Standards for Education Evaluation;</p> <p>d. Standards for Educational and Psychological Testing, American Psychological Association; and</p> <p>e. IT Standards, Guidelines, and Tools and Techniques for Audit and Assurance and Control Professionals, Information Systems Audit and Control Association.</p>	<p>This section does not cite the leading practices identified in GAO's 2015 fraud framework codified into law in June 2016 (P.L. 114-186). Suggest that a reference to these standards be added to the existing list especially since the revised GAGAS standards give greater attention to fraud-related issues. This guidance would also be helpful in meeting the requirements for identifying fraud, waste and abuse discussed in sections 8.69-8.74.</p>

GAGAS Section	Section Language	Amtrak OIG Comment
2.16	<p>Auditors should include one of the following types of GAGAS compliance statements in reports on GAGAS engagements, as appropriate.</p> <p>b. Modified GAGAS compliance statement: Stating either that (1) the auditors conducted the engagement in accordance with GAGAS, except for <b>specific applicable requirements</b> that were not followed, or (2) because of the significance of the departure(s) from the requirements, the auditors were unable to and did not conduct the engagement in accordance with GAGAS. When auditors use a modified GAGAS statement, they should disclose in the report the applicable requirement(s) not followed, the reasons for not following the requirement(s), and how not following the requirement(s) affected or could have affected the engagement and the assurance provided.</p>	<p>Does "specific applicable requirements" refer to only unconditional requirements or does it also include presumptively mandatory requirements (per section 2.02 a &amp; b)</p>
2.17	<p>When auditors do not comply with <b>applicable requirement</b>(s), they should (1) assess the significance of the noncompliance to the engagement objectives; (2) document the assessment, along with their reasons for not following the requirement(s); and (3) determine the type of GAGAS compliance statement.</p>	<p>Does "applicable requirements" refer to only unconditional requirements or does it also include presumptively mandatory requirements (per section 2.02 a &amp; b)</p>
<b>Chapter 3 – Ethics, Independence, and Professional Judgment</b>		
3.25	<p>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 <b>civil service statutes that permit staff members to seek employment with audited entities</b>. 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.</p>	<p>For audit organizations for which civil service statutes do not apply, should the organizations nevertheless follow the intent of this section by instituting specific policies that address the issue of employees seeking employment with audited entities?</p>
3.49	<p>Examples of circumstances that create familiarity threats for an auditor follow:</p> <p>e. Senior audit personnel having a long association with the audited entity.</p>	<p>e. Many individuals in the IG community remain at one IG, reviewing the same agency/entity for their entire career. This statement could be interpreted to mean those people automatically have a familiarity threat, which may not be the case.</p>
<b>Chapter 4 – Competence and Continuing Professional Education</b>		
4.12	<p>Some engagements may necessitate the use of specialized techniques or methods that call for the skills of specialists. Specialists to whom this section applies include, but are not limited to, actuaries, appraisers, attorneys, engineers, environmental consultants, medical professionals, statisticians, geologists, and information technology experts.</p>	<p>Would this include Communications Analysts and/or Editors?</p>
4.15-4.17	<p>All sections related to CPEs</p>	<p>The requirements related to the 4 hours will make it difficult for organizations to implement standards systematically and ensure compliance, especially in a large organization with frequent new hires and attrition.</p>

GAGAS Section	Section Language	Amtrak OIG Comment
	<p>Auditors who plan, direct, perform engagement procedures for, or report on an engagement conducted in accordance with GAGAS should complete the GAGAS Qualification requirements as part of developing and maintaining their professional competence. <b><u>GAGAS Qualification requires auditors to complete at least 4 hours of CPE in GAGAS topics.</u></b> Auditors assigned to supervisory or partner and director roles should obtain GAGAS Qualification before completing work <b><u>on their first GAGAS engagement. Entry-level staff should obtain GAGAS Qualification by the end of their first full 2-year CPE period.</u></b></p>	<p>The requirement for auditors to complete 4 hours of GAGAS Qualification training each time a new GAGAS comes is overly burdensome to implement, as it is difficult to track systematically organization-wide. It does not take into account auditors changing jobs/agencies and has the potential to create wasteful spending related to training.</p> <p>The language related to partners or directors receiving GAGAS training before "their first GAGAS engagement" is ambiguous. Is it to mean their first ever or their first as a partner or director? If they receive this qualification as a entry-level auditor and then are promoted to partner, do they have to do the qualification again? And what if that person changes organizations, but it's a lateral move...would they be required to retake this training at their new organization?</p> <p>This initial "qualification" implies that the auditor would need to demonstrate this throughout their career. So, for example, when an organization is peer reviewed, they would need to demonstrate CPE compliance for all auditors during the most recent 2-year cycle AND demonstrate this initial qualification, even if it goes back several years? And if during that time a new GAGAS was issued, the organization would need to demonstrate the initial qualification and additional re-qualification for the new GAGAS?</p>
4.15	<p>To update their GAGAS Qualification, auditors should complete at least 4 hours of CPE in GAGAS topics each time the Comptroller General issues a revision of GAGAS. These CPE hours should be completed <b><u>by the end of each auditor's next full 2-year CPE period</u></b> after the GAGAS revision is issued. The audit organization should maintain documentation of each auditor's CPE.</p>	<p>Most audit organizations establish a standard CPE cycle, rather than one based on the individual. This section ignores that fact and is overly burdensome to implement, as it is difficult to track systematically organization-wide. It does not take into account auditors changing jobs/agencies and has the potential to create wasteful spending related to training.</p>
4.17	<p>Auditors hired or initially assigned to GAGAS engagements after the beginning of the audit organization's 2-year CPE period may prorate the 56-hour and the 24-hour CPE requirements, but not the 4-hour GAGAS Qualification requirement.</p>	<p>Not allowing exceptions for the 4-hour requirement, even if an individual's other CPE's are prorated even to zero complicates the requirements and will make it difficult to ensure compliance, particularly at large organizations.</p>
<p><b><u>Chapter 5: Quality Control and Peer Review</u></b></p>		
5.26	<p>If auditors change the audit objectives during the engagement, they should document the revised audit objectives and the reasons for the changes.</p>	<p>Should this be modified to state that auditors should also communicate material changes to objectives to the audited entity?</p>
5.51	<p>Periodic consideration and evaluation of the system of quality control may include matters such as the following:  a. review of selected administrative and <b><u>personnel</u></b> records pertaining to the quality control elements;</p>	<p>What is expected to be reviewed in personnel records that cannot be accomplished via review of administrative records? Concerned this creates an issue related to individual privacy.</p>
<p><b><u>Chapter 8: Fieldwork Standards for Performance Audits</u></b></p>		
8.22	<p>Auditors <b><u>should retain written communication</u></b> with the parties identified in paragraph 8.20 as audit documentation.</p>	<p>Use of the word should means this is a "presumptively mandatory" requirement and implies auditors should maintain ALL communication with management of the audited entity (and others). Auditors have frequent email communication with management officials during the course of an audit, but not all of that communication is necessarily be relevant to the audit. This section would require that the auditors save that communication, even if it is not relevant to the audit. This implicit requirement to document all communication also contradicts GAGAS Section 8.127 that states, "The quantity, type, and content of audit documentation are a matter of the auditors' professional judgment."</p> <p>Suggest the language be updated to something like, "should retain all relevant written communication..."</p>

GAGAS Section	Section Language	Amtrak OIG Comment
8.83	<p>Internal auditing is an important part of overall governance, accountability, and internal control. A key role of many internal audit organizations is to provide assurance that internal controls are in place to adequately mitigate risks and achieve program goals and objectives. <b><u>Auditors may determine that it is appropriate to use the work of the internal auditors in assessing the effectiveness of design or operation of internal controls</u></b> that are significant</p>	<p>Would this section also allow auditors to rely on review of internal controls that IPA's review as part of their audit or organization's Certified Financial Statement Audits? If so, to what extent would that be allowed...as some may argue that IPA's may not test all systems and thier review may not be at a level sufficient to satisfy data reliability questions, depending on the particular audit.</p>
8.91	<p>When auditors <b><u>use information provided by officials</u></b> of the audited entity as part of their evidence, they should <b><u>determine what the officials of the audited entity or other auditors did to obtain assurance over the reliability</u></b></p>	<p>Think there could be some clarification around "information provided by officials." Is this just restricted to data and statement of an individual? Or would it extend to information that is provided by the official, but that has gone through additional review within the organization.</p> <p>If, for example, auditors use a dollar figure from a vetted document (such as budget requests/justifications submitted to Congress), but that document was provided by an official, would the auditors still be expected to obtain additional assurance over the reliability? Even if the number is just used for background?</p>
<b><u>Chapter 9: Reporting Standards for Performance Audits</u></b>		
9.24	<p>When internal control is significant within the context of the audit objectives, auditors <b><u>should include in the audit report</u></b> (1) the scope of their work on internal control, <b><u>including how the auditors considered the concept of accountability for use of public resources and government authority while assessing audit risk associated with internal control</u></b>, and (2) any deficiencies in internal control that are significant within the context of the audit objectives and based upon the audit work performed. When auditors detect deficiencies in internal control that are not significant to the objectives of the audit but warrant the attention of those charged with governance, they should include those deficiencies either in the report or communicate those deficiencies in writing to audited entity officials. If the written communication is separate from the audit report, auditors should refer to that written communication in the audit report.</p>	<p>It is unclear what problem this is trying to address. Although it may be reasonable to require that auditors consider the concept of accountability in reviewing internal controls, it is unclear that any benefit would be achieved by requiring that statement about this consideration be included in the auditors' report, unless it is significant to the audit objectives.</p> <p>In addition, the "consideration of the concept of accountability for us of public resources" may be challenges for organizations that are not entirely funded by the government (such as Amtrak, Corporation for Public Broadcasting, Tennessee Valley Authority, etc.). It is unclear how this requirement would be applied to such organizations.</p>