



441 G St. N.W.  
Washington, DC 20548

August 5, 2019

Ms. Sherry Hazel  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, NY 10036-8775

**GAO's Response to the American Institute of Certified Public Accountants' June 2019 Exposure Draft, *Proposed Statement on Auditing Standards and Proposed Statement on Standards for Attestation Engagements – Amendments to the Description of the Concept of Materiality***

Dear Ms. Hazel:

This letter provides GAO's response to the exposure draft, *Proposed Statement on Auditing Standards and Proposed Statement on Standards for Attestation Engagements – Amendments to the Description of the Concept of Materiality*. GAO promulgates generally accepted government auditing standards (GAGAS), which provide professional standards for auditors of government entities in the United States.

We agree with the American Institute of Certified Public Accountants' (AICPA) efforts to align the definition of materiality with those of the U.S. judicial system, the Public Company Accounting Oversight Board, the U.S. Securities and Exchange Commission, and the Financial Accounting Standards Board. In general, we believe that it is important to converge the AICPA's auditing and attestation standards with those of the International Auditing and Assurance Standards Board. However, in this instance, we agree with the AICPA's decision to reduce the inconsistencies between the definition of materiality in AICPA *Professional Standards* and those that the U.S. judicial system and other U.S. standard setters and regulators use.

Our responses to the AICPA's issues for consideration follow.

**Issues for Consideration**

- 1. Please provide your views on whether the wording of the amendments is consistent with the definition of materiality used by the U.S. judicial system and other U.S. standard setters and regulators. If the wording is not consistent, please identify the areas of inconsistency and suggest alternate wording.**

We believe that the proposed wording reduces the inconsistencies between the definition of materiality in AICPA *Professional Standards* and those that the U.S. judicial system and other U.S. standard setters and regulators use.

We suggest that AICPA consider making the following editorial changes to increase the definition's clarity:

Misstatements, including omissions, are considered to be material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgments ~~made by~~ ~~of~~ a reasonable user ~~made~~ based on the financial statements.

**2. Please provide your views on whether the proposed amendments will change how auditors determine materiality in an audit or attestation engagement. If the amendments would result in a change, how would the change affect those engagements?**

We agree that the proposed definition of materiality and related conforming amendments are substantially consistent with current practice in determining and applying materiality during an audit or attestation engagement. We also agree that the proposed amendments would not significantly affect the extent of audit or attestation work performed.

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Thank you for the opportunity to comment on these important issues. If you have questions about this letter or would like to discuss any of the matters it addresses, please contact me at (202) 512-3133 or [dalkinj@gao.gov](mailto:dalkinj@gao.gov).

Sincerely yours,

A handwritten signature in black ink, appearing to read "James R. Dalkin". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

James R. Dalkin  
Director  
Financial Management and Assurance