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April 24, 2002

Government Auditing Standards Comments  
U.S. General Accounting Office  
Room 5X16 (FMR)  
441 G Street, NW  
Washington, DC 20548

**Comments on *Government Auditing Standards*  
2002 Revision Exposure Draft**

Dear Sir or Madam:

On behalf of the AGA, the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments on the exposure draft (ED) of the changes to *Government Auditing Standards* (GAS) proposed in the 2002 Revision.

The FMSB supports the U.S. General Accounting Office's (GAO) efforts to continue to improve auditing standards applicable to audits of organizations, programs, activities, and functions at all levels of government. The FMSB's comments and recommendations regarding the proposed changes are presented below. However, our comments and recommendations do not necessarily represent positions of individual FMSB members or the organizations that they represent.

The FMSB, comprised of 21 members with accounting and auditing backgrounds in federal, state, and local government, academia, and public accounting, reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are encouraged to comment separately.

**GENERAL COMMENTS AND RECOMMENDATIONS**

**Incomplete Summary of Proposed Changes:** In view of the magnitude and significance of the changes being proposed, the summary of the changes included at pages 5 through 7 is very important, because many (if not most) reviewers will not read the entire document or take the time to do a paragraph-by-paragraph comparison of the current and proposed standards. We noted that two of the most significant changes are not noted in the summary: (1) the expansion of GAGAS coverage to prospective analysis, guidance, or summary information and (2) the inapplicability of GAGAS to nonaudit services. We believe that the summary of changes should include all changes, preferably emphasizing these two significant changes.



**Elimination of “Financial-Related Audits”:** We support GAO’s decision to clarify the definition of financial audits and eliminate the term “financial-related audits.” Financial-related audits were often confusing to auditors.

**Addition of a Chapter on Attestation Engagements:** We support GAO’s decision to include a new chapter on attestation engagements. Many of the responsibilities that government officials are asked to fulfill fit attestation engagements. Although we support GAO’s decision to add this chapter, we disagree with paragraph 2.6h, footnote 5. Please see our specific comment on this point below.

**Internal Control Terminology:** The ED generally does a good job of using the correct term, “internal control.” We noted, however, several instances in which the incorrect term “internal controls” is used. We recommend that GAO assure that the proper term is used throughout the document and that the term “internal control components” be used in place of the incorrect term “internal controls” where appropriate.

**References to Generally Accepted Government Auditing Standards:** In consideration of the recent change to how generally accepted auditing standards are referred to, we recommend that GAO consider incorporating a requirement that GAGAS be referred to as either “government auditing standards generally accepted in the United States” or “U.S. generally accepted government auditing standards.”

**Audit Services Versus Nonaudit Services:** Paragraphs 2.12 and 2.13 attempt to draw a distinction between services that audit organizations provide that are covered by GAGAS and those that audit organizations provide that are not covered by GAGAS. We do not think this distinction is clear. For example, paragraph 2.12 stipulates that “analyzing budget proposals or budget requests to assist legislators in the budget process” is covered by GAGAS. Paragraph 2.13 stipulates that “compiling or reviewing financial statements or other information to assist entities or management officials” is not subject to GAGAS. We do not see a clear rationale for this type of distinction. Similarly, we do not understand why “preparing an entity’s indirect cost proposal or cost allocation plan” should not be done in accordance with GAGAS. We recommend that GAO provide better guidance and rationale for the distinction it is trying to make regarding services subject to GAGAS.

**Effective Date:** Page 3 of the transmittal letter indicates that the revisions to *Government Auditing Standards* “...will become effective for financial audits of periods ending on or after January 1, 2003, and

for attestation engagements and performance audits beginning on or after January 1, 2003.” Because the effective date for performance audits is only eight months after the deadline for submitting comments on this ED, we do not believe this timetable will provide sufficient time for GAO to review the comments and issue the final standards, and for audit organizations to make the necessary policy changes to implement the new standards for attestation engagements and performance audits. For this reason, we strongly recommend that GAO extend the effective date of revisions to *Government Auditing Standards* to “...become effective for financial audits of periods ending on or after June 15, 2003, and for attestation engagements and performance audits beginning on or after June 15, 2003.”

**Footnote Numbering:** Throughout the ED, the footnotes are renumbered within each of the eight individual chapters. Therefore, the document contains eight different footnotes identified as “Footnote 1.” Having multiple footnotes with the same footnote number in the same document will be confusing to auditors reading and referencing these professional standards. Therefore, for clarity, we recommend that the GAO consecutively number all footnotes throughout the entire document.

**Material Versus Significant:** The standards for financial audits and for attestation engagements use the term “material.” The standards for performance audits use the term “significant.” For those audit organizations that conduct financial audits, attestation engagements, and performance audits, the use of different terminology is confusing, and auditors frequently ask if the two terms are synonymous and, if not, what the primary differences are. For clarity in the final document, we recommend that GAO use the term “significant/material” (as used in Amendment No. 3, *Independence*) throughout the professional standards. If this is not possible, we recommend that GAO either explain the difference between the two terms or clearly indicate that the terms are synonymous.

## **SPECIFIC COMMENTS AND RECOMMENDATIONS**

**Paragraph 1.5c:** The first sentence of paragraph 1.5c. states that “The Single Audit Act Amendments of 1996 ... that receive federal financial assistance.” The Single Audit Act Amendments of 1996 changed the focus of the single audits from entities that receive federal financial assistance to entities that expend federal awards. Because the revised *Government Auditing Standards* should include the updated terminology, we recommend that GAO revise this sentence to read: “The Single Audit Act Amendments of 1996 (Public Law 104-156)

require that GAGAS be followed in audits of state and local governments and nonprofit entities that expend federal awards.” We also noted a similar reference in Paragraph 2.4e. This reference should more appropriately read: “e. auditing compliance with regulations relating to federal awards.”

**Paragraph 1.15:** The last sentence of paragraph 1.15 states that “Such work, like other performance audits ... and results in a report.” We believe that work that involves this level of analysis, research or evaluation, and provides conclusions and recommendations should *always* result in a *written* report. Therefore, for clarification, we recommend that GAO revise this sentence (and similar references throughout the document) to require the issuance of a written report. We noted two other similar references in paragraphs 2.8 and 2.13.

**Paragraphs 1.16 through 1.21:** The first sentences in paragraphs 1.17 through 1.21 appear to be inconsistently redundant. We recommend that GAO delete the phrases “entrusted with handling public resources” or “entrusted with public resources” from paragraphs 1.17, 1.18 and 1.19 and revise the first sentence of paragraph 1.16 to read: “Management entrusted with handling public resources and auditors of government programs fulfill essential roles....”

**Paragraph 1.21:** The first sentence of this paragraph is disjointed. We recommend that it be modified to read, “Management is responsible for following sound procurement practices when contracting for audits and attestation engagements. These practices should include procedures for monitoring contract performance.”

**Paragraph 1.22:** The first sentence in paragraph 1.22 uses the term “highest sense of integrity.” For consistency with recently issued Amendment No. 3, we recommend that GAO revise this term slightly to read “highest degree of integrity.” Similar revisions would also be necessary elsewhere in the document, such as in paragraphs 1.25 and 3.4.

**Paragraphs 1.23, 1.25, and 1.26:** The first sentence in paragraph 1.23 begins “Auditors are responsible to accept the obligation to act in a way....” We believe this sentence would be clearer and less awkward if it began “Auditors should act in a way....” Similarly, we believe the second sentence in paragraph 1.25 would be less awkward if it began “Auditors should be honest and candid with the audited entity....” Also, we believe the first sentence in paragraph 1.26 would be less awkward if it began “Auditors should be objective and free of conflicts....”

**Paragraph 1.24:** The second sentence in paragraph 1.24 states “The public interest is defined as the collective well-being of the community of people and entities the auditor serves.” Because the term “public interest” is introduced in paragraph 1.22, we recommend that GAO relocate this sentence as the second sentence in paragraph 1.22.

**Paragraph 1.28:** The latter portion of the second sentence in paragraph 1.28 states “...auditors need to communicate information concerning the planning, conduct, and reporting of the assignment to the parties involved.” Because this information becomes much less meaningful with the passage of time, we recommend that GAO expand this portion of the sentence to read “...auditors need to communicate information concerning the planning, conduct, and reporting of the assignment to the parties involved during the preliminary stages of the audit.”

**Paragraph 1.30:** This paragraph states “...audit organizations are responsible for establishing policies and procedures for follow-up to determine whether previous findings and recommendations are addressed and are considered in planning future assignments.” To clarify the scope of audit organization responsibilities, we recommend that GAO revise this language slightly to read, “...audit organizations are responsible for establishing policies and procedures for follow-up to determine whether previously reported findings and recommendations are addressed and are considered in planning future assignments.” Similar revisions should be made throughout the document, including paragraph 8.8.

**Paragraph 2.1:** The last sentence in paragraph 2.1 states “This chapter also describes other professional services that audit organizations provide, although these services are not covered by GAGAS.” To recognize that not all audit organizations provide these services, we recommend that the Council revise this sentence slightly to read, “This chapter also describes other professional services that audit organizations may provide....”

**Paragraph 2.1, Footnote 1:** This footnote states “The term ‘program’ is used to include entities, services, and activities.” Because footnote 3 to paragraph 1.2 states “Henceforth, the term ‘program’ will be used in this document to include government entities, services, and activities,” we recommend that GAO delete footnote 1 as redundant and unnecessary.

**Paragraph 2.2:** This paragraph uses the term “audit standards.” However, the professional standards are referred to elsewhere within the document as “auditing standards.” We believe that the term “auditing

standards” is the appropriate terminology and should be used consistently throughout the document.

**Paragraph 2.4:** The first sentence of paragraph 2.4 begins “Financial audits primarily concern providing reasonable assurance about...” We believe this sentence would be less awkward if it began “Financial audits are primarily concerned with providing reasonable assurance about....”

**Paragraph 2.6h, footnote 5:** This footnote is referenced from paragraph 2.6h, which is the last of eight examples of attestation engagement objectives. Because footnote 5 is applicable to all of the eight examples, we recommend that GAO relocate the footnote reference, from paragraph 2.6h to the phrase “Examples of objectives of attestation engagements include reporting on....” that precedes the examples.

Footnote 5 states, in part, “Depending on user needs and the auditor’s qualifications, the auditor may choose to apply performance audit standards in chapters 7 and 8 to the objectives in paragraph 2.6 instead of the attestation standards in chapter 6.” This indicates that an auditor that is not qualified to perform an audit in accordance with attestation standards (pursuant to paragraph 3.13b.) can evade those qualification requirements simply by opting to perform the audit using performance audit standards. In effect, this footnote renders paragraph 3.13b. meaningless with respect to attestation engagements. We believe that the audit objectives and the nature of the information or assertions being audited should dictate which standards must be followed. An auditor’s qualifications or lack thereof should not be a factor in deciding which standards are applicable. We recommend that footnote 5 be revised slightly by eliminating the phrase “and the auditor’s qualifications.”

**Paragraph 2.8:** This paragraph refers to the term “conclusions and recommendations.” Paragraph 6.10 refers to the term “findings and recommendations.” Paragraph 6.11 refers to the term “findings, conclusions, and recommendations.” For clarity and consistency, we recommend that GAO use similar terminology, wherever possible, throughout the document.

**Paragraph 3.12:** Subparagraph b of this paragraph would require auditors to have “knowledge of ... the subject matter under review.” Interpreted narrowly and literally, this may be problematic, especially for small audit organizations. In many cases, knowledge of the subject matter under review is obtained through a preliminary survey, mission analysis, or risk assessment process conducted as part of the audit. We

recommend that GAO clarify its intent in paragraph 3.12 regarding whether or not some of the subject-matter-specific expertise needed can be obtained during the early stages of the audit. Similarly, subparagraph d of this paragraph changes the term “skills” to “expertise,” but does not define the term “expertise.” Again, interpreted narrowly and literally, this would be problematic for many (especially small) audit organizations. We recommend that GAO either clarify what it means by “expertise” or stipulate that auditors should collectively possess “appropriate skills.”

**Paragraph 3.13b:** This paragraph states “Public accountants engaged to perform financial audits or attestation engagements should be (a) licensed certified public accountants or persons working for a licensed certified public accounting firm, or (b) public accountants licensed on or before December 31, 1970, or persons working for a public accounting firm licensed on or before December 31, 1970.” Although this language has been carried forward from existing guidance, we have two concerns with this paragraph. First, and most important, we aren’t sure whether the guidance that “public accountants...should be...licensed certified public accountants or persons working for a licensed certified public accounting firm” is intended to include, or to specifically exclude, government auditors. In practice, many government auditors (public accountants) perform financial audits and/or attestation engagements, under the direction of a certified public accountant, while employed by government audit organizations. Second, because part (b) refers to a licensure action that occurred more than 31 years ago, we question whether this guidance currently affects more than a few public accountants. Therefore, to specifically address the required competencies of government auditors, we recommend that GAO revise Paragraph 3.13b. to read either “Public accountants ... should be (a) licensed certified public accountants or persons working for a licensed certified public accountant” or “Public accountants ... should be (a) licensed certified public accountants, persons working for a licensed certified public accounting firm, or persons working for a government audit organization.” We also recommend that GAO relocate the guidance in part (b) of the paragraph, addressing public accountant and/or public accounting firm licensure on or before December 31, 1970, to a footnote at the bottom of the page.

**Paragraph 3.18:** This proposed revision imposes CPE requirements on external consultants that are involved in “... planning or directing the assignment, performing substantial portions of field work, or reporting on the assignments.” External consultants are usually (if not always) hired for their technical expertise in their particular fields. We question the appropriateness of GAO imposing CPE requirements on other

professions. Further, in view of the changes discussed above regarding paragraph 3.12, these proposed changes, in combination, would (a) require audit organizations to make greater use of external consultants while (b) reducing the supply of “qualified” external consultants. We recommend that GAO reassess the impact that these requirements will have on smaller audit organizations. We also note that GAO does not define the term “substantial” as it is used in paragraph 3.18. The definition of “substantial” given at footnote 4 to paragraph 3.16 would not appear to apply to external consultants. We recommend that GAO provide a definition of the term as used in this paragraph.

**Paragraph 3.23b:** Additional clarification will be helpful regarding this paragraph. It states, “An organization is not permitted to review the organization that conducted its most recent external peer review.” Most state audit organizations participate in the external quality control review program administered by the National State Auditors Association (NSAA). Peer review teams are composed of members from various state audit organizations. Does this provision prohibit a member from one state from participating on the review of a state that provided a member on its most recent peer review? If that is the intent, we recommend that the following provision be added: “In addition, an individual member of a peer review team should not be allowed to participate on the review of an audit organization that provided a member or members on its most recent external peer review.” If GAO’s intention is that the intended prohibition is at the organization level rather than the team level, then we recommend that GAO clarify this paragraph to make it clear that the organizational prohibition in the second sentence of paragraph 3.23b does not extend to individual staff members. If this is the case (and this is our recommendation) then, for clarity, we recommend that GAO expand the second sentence to read, “Although individual reviewers may participate in independently organized reviews, an organization is not permitted to review the organization that conducted its most recent external peer review.” We believe this clarification would avoid confusion or inconsistency in interpretation.

**Paragraph 3.23f:** The second sentence in paragraph 3.23f. states, “Reviewers may scale back the peer review procedures based on the reviewers’ evaluation of the adequacy and results of the reviewed organization’s monitoring efforts.” Because reviewers may also be able to scale back the review because the organization has consistently received unqualified opinions on its system of quality controls, we recommend that GAO expand the second sentence to read “Reviewers may scale back the peer review procedures based on the reviewer’s evaluation of the adequacy and results of the reviewed organization’s

monitoring efforts, as well as the results of the organization's two most recent peer reviews.”

**Paragraph 3.23g:** The last sentence of paragraph 3.23g states, “To help users of the peer review report understand the peer review process, each report should be accompanied by an attachment describing the process, including how peer reviews are planned and performed.” We question the necessity of this requirement. However, if the belief is that this is necessary, we recommend that the wording be changed to indicate that the attachment provides a “summary” describing the process.

**Paragraph 4.2:** This page contains a footnote number 2, but there is nothing in the text that refers to footnote number 2. It appears that this reference should be at the end of the second sentence of paragraph 4.2.

**Paragraph 4.4c:** In order to be consistent with paragraph 4.17, we recommend that the phrase “contracts and grants” be changed to “contracts and grant agreements.”

**Paragraphs 4.17 and 4.19:** These paragraphs use the phrases “other financial data” and “other financial data needed to achieve audit objectives.” We do not understand the meaning of these terms in the context in which they are used in these paragraphs. We recommend that GAO add clarifying definitions or explanations of its intent in including these phrases.

**Paragraph 4.22b:** This subparagraph uses the phrase “certain additional government auditing standards.” We believe that the term “additional” is confusing and unnecessary. We recommend that the word “additional” be deleted.

**Paragraph 4.23:** We have two concerns with the guidance in paragraph 4.23. First, for clarity, we recommend that GAO expand the first sentence slightly to read, “Underlying GAGAS audits is the expectation that federal, state, and local...” Second, the third sentence, which reads, “Auditors should make arrangements to make audit documentation available, upon request, in a timely manner to other auditors or reviewers,” appears to be far too permissive and open-ended. We recommend that GAO expand the guidance in the third sentence in paragraph 4.23 to paraphrase the spirit of the Single Audit Act Amendments of 1996 and to recognize that not every audit organization needs to review the audit documentation. For example, review of the same documentation by multiple federal agencies should be discouraged. If GAO does expand the guidance in the third sentence,

similar revisions should be made throughout the document, including paragraphs 6.17 and 7.69.

**Paragraph 4.25 (and paragraphs 5.1a through 5.1g):** These paragraphs introduce and contain parenthetical references to other paragraphs. Because the referenced paragraphs immediately follow paragraphs 4.25 and paragraphs 5.1a through 5.1g, respectively, and because the referenced paragraphs also have subtitles, we believe these references are unnecessary and inconsistent with other chapters in the document. Therefore, we recommend that GAO delete the parenthetical references in the final document.

**Paragraph 5.6:** This paragraph appears to “suggest” that non-GAGAS reports should include information that is required in GAGAS reports. We think this is confusing and will be confusing to practitioners. We recommend that this paragraph be removed from the final version of the standards.

**Paragraph 5.8:** The second and third sentences in this paragraph state “When auditors report on compliance and internal control over financial reporting as part of the report on the financial statements, auditors should include an introduction summarizing the key findings in the audit of the financial statements and the related compliance and internal control work. Auditors should not issue this introduction as a stand-alone report.” Because many audit organizations issue stand-alone executive digests and/or press releases “summarizing the key findings in the audit,” we are concerned that the guidance in the third sentence of paragraph 5.8 may be misinterpreted as a prohibition of this common practice. Therefore, we recommend that GAO clarify the guidance in paragraph 5.8, perhaps by adding “...but should issue a full report on compliance and on internal control over financial reporting” at the end of the third sentence.

**Paragraph 5.23 (and paragraph 8.22):** These paragraphs both contain the statement, “If the officials of the audited entity do not make the required report as soon as practical after the auditors’ communication with the entity’s governing body, then the auditors should report the fraud or illegal acts directly to the external party specified in the law or regulation.” Because an understanding of the meaning of the term “as soon as practical” may vary significantly among auditors and organizations, we recommend that GAO more clearly define an acceptable timeframe in paragraphs 5.23 and 8.22 for officials of the audited entity to make the required report.

**Paragraph 6.2:** This paragraph introduces the standard with the statement, “The AICPA’s general standard related to criteria states the following....” For clarity, as well as for consistency with paragraphs 6.3 and 6.4, we recommend that GAO expand the introduction slightly to read “The AICPA’s general standard for attestation engagements related to criteria states the following....”

**Paragraph 6.8:** The additional fieldwork standard in this paragraph states, “Auditors should consider the results of previous audits and attestation engagements and follow up on known significant findings and recommendations that directly relate to the subject matter of the attestation engagement being undertaken.” We believe that this fieldwork standard and the further explanation in paragraph 6.9 are implying that an attestation engagement should follow up on significant findings and recommendations from previous financial audits, attestation engagements, performance audits, and other studies, if these findings relate to the subject matter or assertions of the attestation engagement. If so, the guidance may be far too comprehensive. Although we agree that all findings that relate to the subject matter or assertions of the attestation engagement should be considered in performing the attestation engagement, we believe that they should be followed up in their own subsequent audit or engagement. Therefore, we recommend that GAO revise the fieldwork standard to read, “Auditors should consider the results of previous audits, attestation engagements, or other studies, if known significant findings and recommendations directly relate to the subject matter of the attestation engagement being undertaken.” We also recommend that the second sentence in paragraph 6.9 either be deleted, or revised to read, “This would include significant reported findings and recommendations from previous financial audits, attestation engagements, performance audits, and other studies if these findings relate to the subject matter or assertions of the attestation engagement.”

**Paragraph 6.16:** The introductory sentence in this paragraph states, “Audit documentation for attestation engagements under GAGAS should contain the following....” We believe that the five items listed in paragraph 6.16 should be considered as minimum documentation, rather than all-inclusive guidance. Therefore, we recommend that GAO expand the introductory sentence to read, “Audit documentation for attestation engagements under GAGAS should contain, at a minimum, the following....” If GAO does expand the introductory sentence, a similar change should be made in paragraph 7.68.

**Paragraph 6.43:** The second sentence in this paragraph, in referring to internal auditors, states, “Usually, they report to their entity’s top

manager, who is responsible for distribution of the report.” Because the term “top manager” implies a lower level position than the entity’s head or deputy head, and because this term appears to be inconsistent with the terminology used in Amendment No. 3, we recommend that GAO revise the second sentence to read, “Usually, they report to their entity’s head or deputy head, who is responsible for distribution of the report.”

**Paragraph 7.10g:** The last sentence of this paragraph states, “Auditors may use approaches drawn from the field of program evaluation to try to isolate the effects of the program from these other influences.” By using the specific term “field of program evaluation,” this guidance might be interpreted as prohibiting the auditor from using approaches from any other disciplines. To clarify this point, we recommend that GAO revise the last sentence of paragraph 7.10g. to read, “Auditors may use approaches drawn from other disciplines which will serve to isolate the effects of the program from these other influences.”

**Paragraph 7.28a:** This paragraph indicates that staff planning should include, “assigning staff with the appropriate collective knowledge, skills, and experience for the job...” Because the auditing profession is moving to a more engagement team-focused approach to independence, we recommend that GAO expand this paragraph to also specifically include “independence.”

**Paragraphs 7.47 and 7.48:** These paragraphs indicate that “effect” and “cause,” respectively, each have *two* meanings. However, other guidance within the document (such as paragraph 8.16) appears to present only *one* meaning. Because this inconsistency could be very confusing to auditors, we recommend that GAO revise paragraphs 7.47 and 7.48 (and other paragraphs, if necessary) to present more clear, concise, and consistent meanings for the terms “effect” and “cause.”

**Paragraph 7.49b:** The first sentence in this paragraph states, “Evidence is competent if it is consistent with fact (that is, evidence is competent if it is valid and reliable).” In our opinion, “valid and reliable” is not synonymous with “consistent with fact.” For this reason, we recommend that GAO revise the first sentence in paragraph 7.49b. slightly to read, “Evidence is competent if it is valid, reliable, and consistent with fact.”

**Paragraph 7.51:** The second sentence in this paragraph states, “Written representations ordinarily confirm oral representations given to auditors, indicate and document the continuing appropriateness of such representations, and reduce the possibility of misunderstanding concerning the matters that are the subject of the representations.”

Because the completeness of the representations is also very important, we recommend that GAO expand this sentence slightly to read, “Written representations ordinarily confirm oral representations given to auditors, indicate and document the continuing appropriateness and completeness of such representations....”

We believe that obtaining written representations is a valuable procedure in all audits for the reasons stated in paragraph 7.51. We recommend that GAO consider expanding this paragraph to (a) indicate that obtaining written representations is recommended in all performance audits and (b) explain the ramifications to the audit when management refuses to provide requested written representations. The following language, adapted from Statement of Auditing Standards No. 85, is suggested for this latter purpose:

Management’s refusal to furnish written representations constitutes a limitation on the scope of the audit sufficient to preclude an unqualified conclusion on the audit objectives and is ordinarily sufficient to cause an auditor to disclaim a conclusion on the audit objectives or withdraw from the engagement. However, based on the nature of the representations not obtained or the circumstances of the refusal, the auditor may conclude that a qualified conclusion is appropriate. Further, the auditor should consider the effects of the refusal on his or her ability to rely on other management representations.

**Paragraph 7.56, footnote 11:** This footnote states “When computer-processed data are used by the auditor, or included in the report, for background or informational purposes and are not significant to the auditors’ findings, citing the source of the data and stating that they were not verified will satisfy the reporting standards for accuracy and completeness set forth in this statement.” We believe that this guidance is too important to relegate to a footnote. Therefore, we recommend that GAO include the sentence from footnote 11 as part of paragraph 7.56 in the final document.

**Paragraph 7.58:** This paragraph lists three options the auditor may take when his/her “...tests of data disclose errors in the data, or when they are unable to obtain sufficient, competent, and relevant evidence about the validity and reliability of the data.” Because we consider it to be an important fourth option, we recommend that GAO expand paragraph 7.58 to include (as item d) “...consider reporting these facts as a reportable condition.”

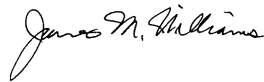
**Paragraph 8.3:** We strongly support the proposed revisions in this paragraph. We believe that this will be of considerable assistance in efforts to promote improved audit report timeliness. We note, however, that the last sentence in this paragraph states, “However, to comply with these standards, audit reports, regardless of form, should comply with all applicable reporting standards.” Because this sentence is awkward and redundant, we recommend that GAO shorten the sentence to read, “However, audit reports, regardless of form, should comply with all applicable reporting standards.”

**Paragraph 8.21, footnote 7:** This footnote states, “Internal audit organizations do not have a duty to report outside that entity unless required by law, rule, regulation, or policy.” Although this is a true statement now, internal auditing standards are subject to change at any time. Therefore, we recommend that GAO expand Footnote 7 slightly to read, “Currently, internal audit organizations do not have a duty...”

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Again, the FMSB appreciates the opportunity to provide comments on this ED. Should you have any questions, or desire further details on FMSB’s position, please contact me at (216) 583-8276 or [james.williams17@ey.com](mailto:james.williams17@ey.com), or Dave Cotton, the FMSB facilitator for this project, at (703) 836-6701 or [dcotton@cottoncpa.com](mailto:dcotton@cottoncpa.com).

Sincerely,



James M. Williams, CPA, CGFM, Chair,  
AGA Financial Management Standards Board

cc: Mr. Richard V. Norment, CGFM  
AGA National President