



Advancing
Government
Accountability

2208 Mount Vernon Ave
Alexandria, VA 22301

(703) 684-6931
(703) 548-9367 (fax)

February 27, 2009

Ms. Sharon Macey
Audit and Attest Standards
AICPA
1211 Avenue of the Americas
New York, NY 10036-8775

Dear Ms. Macey:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the American Institute of Certified Public Accountants (AICPA) on its exposure drafts (EDs) of two proposed statements. The first, for Attestation Engagements, is *Reporting on Controls at a Service Organization*. It supersedes the guidance for service auditors in AU§324, *Service Organizations* (AICPA Professional Standards, Vol. 1). The second, on Auditing Standards, is *Audit Considerations Relating to the Entity Using a Service Organization*. It supersedes Statement on Auditing Standards No. 70, *Service Organizations* (AICPA Professional Standards, Vol. 1, AU§324).

The FMSB, comprising 23 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 also encouraged to comment separately.

The FMSB generally agrees with the provisions in the exposure drafts (EDs). We think the objectives stated in the proposed SAS and the revisions made to the existing standards to converge them with International Standards on Auditing are appropriate. We also think the differences between the proposed SAS and the ISA 402 exposure draft are appropriate for users within the United States of America.

We view the Board's proposal to move the standards applicable to reporting on the controls of a service organization to the Standards for Attestation Engagements (SSAE) while establishing the standards for users of these reports under the Statements on Auditing Standards as an improvement over the existing standards. We also consider the proposed SSAE's provision in a type 2 report to cover a period of time rather than report as of a specific date as an important improvement in the standard.

In today's environment when service organizations are routinely used in large organizations, we appreciate the Board's efforts in paragraph 59 of the proposed SSAE to emphasize to the service auditor to clearly indicate which controls were tested, to include the period covered by the testing, and indicate whether the items tested represent all or a selection of the items in the population. User auditors would consider such details as vital to determine whether the service auditor's tests



were relevant to the risk assessments made in connection with the user entity's audit and in assessing whether they have sufficient appropriate evidence to render an opinion on the user entity's financial statements.

In addition, we have some editorial comments:

- In the proposed SAS, in 11c, 12b, and 18b, they discuss "requesting" or "asking" that certain services are performed. It's a subtle point and is probably obvious to most auditors that to meet the standard they would have to request the additional work AND get the results of that work. But if the guidance does not specifically state this and instead is written as if a request alone would satisfy the standard, we are concerned that someone could argue later that the standard was satisfied by the mere fact of the request being made. We suggest that the wording should be made more prescriptive in that regard.
- Also, it seems to us that the points made in 14 a and 14 c are slightly redundant. We suggest that the wording be clarified in 14 c to differentiate it from 14 a.

We appreciate the opportunity to comment on this document and would be pleased to discuss this letter with you at your convenience. No member objected to its issuance. If you have questions concerning the letter, please contact Anna D. Gowans Miller, CPA, AGA's director of research and staff liaison for the FMSB, at amiller@agacgfm.org or 703.684.6931 ext. 313.

Sincerely,



Robert L. Childree, Chair,
AGA Financial Management Standards Board

cc: Samuel T. Mok, CGFM, CIA, CICA
AGA National President

**Association of Government Accountants
Financial Management Standards Board**

July 2008 – June 2009

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