



April 7, 2008

Regulation Division, Office of General Counsel  
Department of Housing and Urban Development  
451 Seventh Street, SW  
Room 10276, Washington, DC 20410-0001  
Re: Docket No. FR-5054-P-01, RIN2501-AD20

Advancing  
Government  
Accountability

2208 Mount Vernon Ave  
Alexandria, VA 22301

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

Dear Madam or Sir:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments on the U. S. Department of Housing and Urban Development's proposed rule to establish an Independent Public Accountant (IPA) Roster. The proposed rule, *Part III, Department of Housing and Urban Development (HUD), Independent Public Accountant Roster: Proposed Rule (24 CFR Part 5)* was published in the Federal Register on Wednesday, February 6, 2008, with a request for comments from interested parties. 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 offers some general comments, followed by specific comments. Our first general comment is that we fail to see how the proposal:

- 1) is necessary for the proper performance of the functions of the agency, since there is no justification on the basis of statistics about the impact of current problems with IPAs and audits;
- 2) has accurately estimated the burden of its proposed requirement as the HUD proposal seems to create an undefined and open-ended responsibility to provide information to HUD on the part of IPAs; and
- 3) enhances the quality, utility and clarity of the information to be provided since the proposal does not identify any problems with audits or related services, and it is hard to determine the clarity of information that is as-yet undefined.

We also note that we think the SEC has universally replaced the term "independent public accountant" with "registered public accounting firm." (See US Code, Title 15, Chapter 28-1, para. 78j-1, Audit Requirements. We urge HUD to consider updating its terminology to reflect this current usage.

Additionally, we have some comments on specific sections of the proposed rule:

1. Section A "IPA Roster Placement Procedure" proposes procedures for listing on the HUD IPA Roster. Requirement numbers 8-12 seem to add specific HUD requirements, some of which could possibly contradict GAGAS or applicable professional standards. Requirement 12 seems an open-ended requirement to provide whatever the HUD may request. ("Agree to comply with any information requested by HUD.")



2. Section B "Responsibilities of Listed IPAs" seems to create, through the listing process, an undefined and open-ended, perhaps perpetual, responsibility of the "IPA" to HUD. ("...whenever a covered entity or entities for which the IPA provides audits or related services are required to submit those audits to HUD...upon approval for listing on the IPA roster and continually thereafter...")

3. Section C "IPA Roster Removal Procedure" is too vague where it states, "The proposed Rule would allow HUD to remove an IPA from the IPA roster who fails to fulfill its responsibilities as a listed IPA, for cause at any time," given that Section B provides HUD with an undefined and open-ended ability to require a listed IPA to provide whatever information the HUD may request.

4. Section D "Effect of removal from IPA Roster" seems to go well beyond ensuring audits are conducted according to GAGAS, and other applicable standards, as it states, "An IPA who has been removed from the IPA Roster would not be permitted to enter into any contract or engagement for audits or related services with covered entities." Related services are defined in the proposal as including attestations, compilations and reviews.

5. Section III "Implementation of this Rule and Cost Benefit of the Rule" seems to indicate that HUD would be making determinations "...that IPAs are ... competent to perform a covered service." This seems to add an additional level of regulation to the audit profession. The complaint that current "disciplinary/remediation" procedures are "complex and technical" seems to be justification for a suspension of the currently accepted legal/professional processes. The disciplinary/remediation procedures concerning provision of professional services are intended to be complex and technical, partly to prevent manipulation of a profession and arbitrary or unjustified actions against specific members of a profession. This serves to protect the public interest of having professional and objective audit services. It seems to us that, if HUD had good reason to believe that an IPA providing audit or other related services to a covered entity was fraudulent, negligent, or not applying professional standards, that they could refer the case to the state board of accountancy for resolution and/or to an appropriate federal department for prosecution.

In summary, the FMSB feels that the proposal is overly broad, seeks to set aside accepted legal due processes, and provides an opportunity for steering contracts to favored parties, or unfairly barring disfavored parties from participation in audits of covered entities and providing related services to them.

We appreciate the opportunity to comment on this proposed rule and would be pleased to discuss this letter with you at your convenience. If you have questions on the letter, please contact Anna D. Gowans Miller, CPA, AGA's Director of Research and staff liaison for the FMSB, and facilitator for this project, at [amiller@agacgfm.org](mailto:amiller@agacgfm.org) or (703) 684-6931, ext. 313.

Sincerely,



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

cc: Richard L. Fair, CPA  
AGA National President

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

**July 2007 – June 2008**

Robert L. Childree, Chair  
Katherine J. Anderson  
Eric S. Berman  
Irwin T. David  
Thomas (Bert) Fletcher  
Donald Geiger  
Jeff Green  
Joanne W. Griggs  
David C. Horn  
David R. Hancox  
Patrick F. Hardiman  
Albert A. Hrabak  
Simcha Kuritzky  
Valerie A. Lindsey  
Jeffrey A. Long  
Marie A. Maguire  
Edward J. Mazur  
Dianne Mitchell McKay  
Craig M. Murray  
Sharon R. Russell  
Clarence L. Taylor, Jr.  
Roger Von Elm  
Andrew C. West

Relmond P. Van Daniker, Executive Director, AGA (Ex-Officio Member)  
Anna D. Gowans Miller, Technical Manager, AGA, Staff Liaison