

June 30, 2017

Government Auditing Standards 2017 Exposure Draft  
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To Whom It May Concern:

One of the expressed goals of the Texas Society of Certified Public Accountants (TSCPA) is to speak on behalf of its members when such action is in the best interest of its members and serves the cause of Certified Public Accountants in Texas, as well as the public interest. The TSCPA has established a Professional Standards Committee (PSC) to represent those interests on accounting and auditing matters. The views expressed herein are written on behalf of the PSC, which has been authorized by the TSCPA Board of Directors to submit comments on matters of interest to the committee membership. The views expressed in this letter have not been approved by the TSCPA Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the TSCPA.

Listed below are the questions posed in the above-referenced Exposure Draft and the response presented by the TSCPA Professional Standards Committee.

**1. Please comment on how the revised format of GAGAS affects the organization and readability of the Standards.**

Regarding the reorganization of the standards, breaking out the previous "Chapter 3 Standards" into separate Chapters 3-5 emphasizes the importance of independence and peer review. The expansion of the previous 34 pages for Chapter 3 to a total of 50 pages for the new Chapters 3-5 allows for guidance and clarification on independence.

Regarding the readability of the new format, the previous standards had wider margins, fewer words per page and were easier to read. Specifically, the 2011 Table of Contents was easier to read than the current draft. We suggest that the formatting used in the Exposure Draft be improved.

**2. Please comment on whether the revisions related to non-audit services sufficiently and clearly explain what is required and prohibited under GAGAS.**

General Comments: We support the emphasis on independence. This has been an area of concern throughout the audit profession and we appreciate the GAO providing additional guidance in this area.

Specific Comments: Paragraph 3.89: While we believe that the standards should remain principles based, we would request some clarifications in this section. For example – 3.89a refers to recording transactions. Does this mean in the client's system? Or the auditor's work-

papers? And 3.89b causes concern in that many small governmental entities prepare and understand their general ledger Trial Balance, but converting the TB to a set of financial statements is expected of the auditor. At what point is independence impaired?

**Paragraph 3.101 c. (2): Under “Business Risk Consulting,”** we request clarification of “on behalf of management.” Auditors are often asked to present findings of their audit-associated risk assessments to governing boards at the request of management, since it is felt that the presentation of the auditor’s work is best presented by the auditor. What does the standard mean by “on behalf” of management?

**3. 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?**

We do believe the roles and descriptions provide clarification and we found the levels of proficiency expected for each role to be clear. We believe more examples of safeguards would be helpful to the user as users often struggle to decide what is adequate. More examples could serve to be particularly helpful to the auditor and auditee.

**4. 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.**

We believe the four-hour GAGAS CPE requirement is reasonable; however, we have some concerns regarding the requirement in section 4.17 for four additional hours of CPE “each time the Comptroller General issues a revision of GAGAS.” Since the Yellow Book now incorporates SSAE Nos. 18 and 21, as well as other items mentioned in Enclosure 1, subsequent revisions appear to be more prevalent. At the present time, the Government Audit Quality Center conducts much of its CPE in two-hour increments. These two-hour courses are excellent and seem to adequately cover the purpose for which they are developed.

**5. 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?**

We believe clarification should be provided to specifically address the *structured educational programs* and whether programs must be state boards of public accountancy (SBPA) compliant to be GAGAS compliant. For example, a web-based seminar or individual program on programmatic compliance, relevant to health care officials, would be acceptable CPE for health care officials. Such a course would count for the CPE requirements of health care officials, but would it be acceptable to SBPAs? Many such courses would be of value to CPAs in this area of practice, but they would not be acceptable for their CPE requirements. The GAGAS refers to allowed “internal training programs.” We recognize that many firms conduct internal training programs which provide meaningful training to staff (both certified and non-certified), but not all of the training programs are ones for which CPE credit would be given in accordance with SBPA guidelines. We believe clarification of what is expected would be very beneficial to firms and their peer reviewers.

**6. Are the changes to the quality control and external peer review sections appropriate and reasonable?**

For the most part, we believe the changes are reasonable and appropriate. We do caution the Board on the possibility that as one standard-setting body changes something, another standard-setting body could be behind on updating their requirements. This lag in updating could lead to two sets of existing standards on the same issue being inconsistent. Hopefully, this issue will be considered by relevant standard-setting bodies.

**7. Are the peer review requirements for each category of audit organization clear?**

The requirements appear to be both appropriate and reasonable.

**8. Please comment on the expanded requirements and application guidance.**

We believe clarification is necessary to indicate whether the expanded requirements and application guidance is for all governments or just federal.

**9. Do these sections clearly describe ways auditors assess internal control on performance audits?**

The sections are basically clear regarding ways auditors assess internal control on performance audits. However, we would suggest consideration of the information on IT controls. Section 8.45 discusses understanding the layers of internal controls by understanding the entity-level controls that may affect transaction-level controls. Although IT controls are covered starting in section 8.61, it is also helpful to understand the effect that IT controls have on both entity-level controls and transaction-level controls.

We appreciate the opportunity to participate in the standard-setting process.

Sincerely,



Ken Sibley, CPA  
Chair, Professional Standards Committee