

August 14, 2006

Michael C. Hrapsky  
Senior Project Manager  
United States Government Accountability Office  
Washington, DC 20548

By E-mail: yellowbook@gao.gov

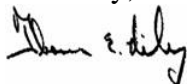
**Re: Government Auditing Standards 2006 Revision Exposure Draft (GAO-06-729G)**

Dear Mr. Hrapsky:

The New York State Society of Certified Public Accountants, representing 30,000 CPAs in public practice, industry, government and education, submits the following comments to you regarding the provisions proposed in the above captioned GAO exposure draft. NYSSCPA thanks GAO for the opportunity to comment on its exposure draft.

The NYSSCPA Government Accounting and Auditing Committee deliberated the exposure draft and prepared the attached comments. If you would like additional discussion with the committee, please contact Warren Ruppel, Chair of the Government Accounting and Auditing Committee, at (212) 503-6391, or Ernest J. Markezin, NYSSCPA staff, at (212) 719-8303.

Sincerely,



Thomas E. Riley  
President

Attachment

**NEW YORK STATE SOCIETY OF  
CERTIFIED PUBLIC ACCOUNTANTS**

**COMMENTS TO GOVERNMENT ACCOUNTABILITY OFFICE ON  
GOVERNMENT AUDITING STANDARDS 2006 REVISION EXPOSURE DRAFT**

**August 14, 2006**

**Principal Drafters**

Jill Flinton

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**NYSSCPA Staff**

Ernest J. Markezin

## **New York State Society of Certified Public Accountants**

### **Comments on Government Auditing Standards 2006 Revision Exposure Draft**

**August 14, 2006**

#### **General Comments**

We question the necessity of a revision to Government Auditing Standards (“GAS”) at this time, especially with the already burdensome task that auditors will have in implementing new auditing standards issued by the American Institute of Certified Public Accountants (AICPA) in both 2006 and 2007. Since the proposed revision to GAS draws heavily from the AICPA standards for financial statement audits that become effective for 2006 audits, we question the need to rewrite these AICPA standards into another standard until all of the AICPA risk-based audit standards become effective in 2007. We are concerned that GAO will issue the 2006 Revision, which would then be modified soon thereafter by the AICPA changes referenced in paragraphs 5.03, 6.04, 6.05, and 6.44. We ask GAO to defer issuing the 2006 Revision until the AICPA changes have been incorporated.

We also are concerned that GAS are becoming more interpretative guidance, rather than standards. The increasing frequency of GAS revisions suggests that they are becoming more explanatory advisement, rather than principles-based standards. We suggest that the principles-based standards, such as independence, be separated from interpretative guidance (e.g., detailed technical definitions). Such detailed interpretive guidance could then be issued as a separate document or audit guide.

Our disagreement with the one specific issue below should not be interpreted by GAO as our agreement with all or any of the other components of the exposure draft by GAO.

#### **Specific Comment**

We are specifically responding to the GAO issue number 6:

*The section dealing with external peer review includes the following changes: (1) a transparency requirement that external audit organizations performing GAGAS audits make their results of an external peer review public, and (2) revision of peer review time frames based on risk and the underlying quality assurance system.*

Although we support the transparency requirements in paragraph 3.68, there is some disagreement on the peer review time frames in paragraph 3.69.

Many CPA firms, issuing financial statement opinions, participate in the peer review process on a three year schedule. There is significant concern about extending the peer review process for financial statement opinions to five years. We feel that the three year requirement is appropriate for auditors of financial statements. The five year requirement may be more appropriate for auditors performing only performance audits.

We recommend that GAO revise its exposure draft and differentiate the peer review time frame requirements to three years for auditors performing financial statement audits and five years for auditors performing only performance audits.