



# Capitol Topics

## February 2012

### PRESIDENT'S MESSAGE

Happy New Year! Now that the holidays are behind us, most of us are hard at work trying to manage the mid-year work load. Why not taking a break and join us for the "Needles in a Haystack" *Data Mining & Predictive Analytics to Prioritize Leads and Highlight Risk for Investigators & Auditors and Achieving Transparency – The Next Step to Integrating Your Data*. This four-hour audio conference (\$55) held at ERS is a new way your Chapter is working to provide pertinent continuing professional education to our members. Start the year off right, maintain your certifications and take advantage of the Austin AGA Chapter CPE savings by joining us at one of our events this year. Now that's a New Year's Resolution you can stick with!

If your New Year's Resolution is to become more active in your profession and your community, volunteer with AGA! It's never too early to start thinking about how you can be more active in Chapter activities, or become one of our Committees. Contact one of Executive Committee Chairs today. Remember! Your friends and co-workers are always welcome to our events, bring them with you and get them involved!

I. Mara Ash  
President, Austin Chapter

Happy Valentine's Day

### UPCOMING CPE EVENT

#### The 2011 Yellow Book Update

Date: Thursday, February 9, 2012  
Time: 11:30 am - 12:50 pm  
Place: Corazon at Castle Hill  
1101 West 5th Street  
Speaker: Leita Hart-Fanta, CPA, CGFM, CGAP  
Registration: Patricia Aguilera at [patty.aguilera@ers.state.tx.us](mailto:patty.aguilera@ers.state.tx.us)

The GAO issued the 2011 version of Government Auditing Standards in December 2011 – just in time for the holidays! Is it a Christmas present or a lump of coal? In this lunch session, Leita Hart-Fanta, CPA, CGFM, CGAP will guide you through the significant changes including the:

- New auditor independence framework
- Attestation standards clarification and reorganization
- Revised language and responsibilities due to the influence of the AICPA

Leita Hart-Fanta, CPA, CGFM, CGAP is the author of The Yellow Book Interpreted and owner of Yellowbook-CPE.com. She is an experienced facilitator and speaker, having lead over 800 seminars and workshops. To find out more about her, see <http://www.yellowbook-cpe.com>

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## COMMUNITY SERVICE

### THE WINNERS OF THE BABY FOOD DRIVE ARE... THE BABIES!

We received a thank you note from the San Antonio Chapter participating the Baby Food Drive. A combined total of over 450 members in our chapters made this event possible and a combined total of 4,853 pounds baby foods were donated to the food banks in Austin, Dallas and San Antonio. Following are the results that we all should be proud of:

#### Dallas AGA Chapter

88 jars of baby food  
4 small bottles of baby juice  
1 package of diapers  
9 boxes of cereal  
2 boxes of toddler biscuits  
3 containers of baby formula

#### Austin AGA Chapter

553 pounds of baby food  
\$165 (Austin Food Bank = 2 pounds of Baby Foods for each \$1= 330 pounds)

#### San Antonio AGA Chapter

\$272 (San Antonio Food Bank = 10 pounds of Baby Foods for each \$1=2,720 pounds)

#### SA Alamo IIA (International Internal Auditors)

\$125 plus baby foods (San Antonio Food Bank = 10 pounds of Baby Foods for each \$1=1,250 pounds)

## TAX ASSISTANCE

Community Tax Centers program needs over 700 volunteers to help complete the 20,000 tax returns anticipated for this year and bring in over \$32 million in refunds to the Austin economy. In order to secure those 700 active volunteers the Center will need to recruit more than 1000 people. This year the Center will have 10 area sites running in Austin, Round Rock, and Del Valle.

The Center provides free tax assistance for the low income families and individuals in the Austin area. This is a wonderful volunteer opportunity that is really helping to lift people out of poverty and increase spending in the Austin economic market.

The website is [www.communitytaxcenters.org](http://www.communitytaxcenters.org). Please contact Jackie Blair, the Volunteer Coordinator for the Community Tax Centers program for more information at [jackie.blair@foundcom.org](mailto:jackie.blair@foundcom.org) or 512-610-7377. If you volunteer, please turn in your hours to Lynda Baker at [bright\\_sunny\\_disp@yahoo.com](mailto:bright_sunny_disp@yahoo.com).



## MEMBERSHIP

### NEW MEMBER

Please join us to welcome **Priscilla Suggs** who joined our chapter in November 2011.

### ANNIVERSARY

Congratulations! The following members had reached their milestone anniversary in January 2012.

#### 5 Years

Crystal R. Russell, CGFM, CPA

#### 15 Years

Mitt Anthony Salvaggio, CGFM



## TREASURER'S REPORT

### FOR THE MONTH ENDED DECEMBER 31, 2011

Beginning cash balance per book	\$6,187.88
Plus: Revenues	
Luncheon and audio conferences	785.88
Early Recruitment Scholarship	290.85
Member's check for donations	25.00
Dividend	0.50
Total Revenues	1,102.23
Funds Available	7,290.11
Less: Expenditures	
Donation of Christmas family	125.00
Luncheon	560.20
Total Expenditures	685.20
Ending cash balance per book	6,604.91
Adjustments:	
Outstanding checks	-
Ending cash balance per bank statement	6,604.91

For more details, Please visit our website at <http://www.agaustin.org/TReports.html>



## RESEARCH

### SECTION 8: STANDARDS FOR ATTESTATION ENGAGEMENTS

#### Objectives:

- Determine whether an attestation engagement can be performed using the described project criteria
- Distinguish among the three types of attestation engagements
- Compare the requirements regarding internal controls, violations of contracts or grant agreements, fraud, and abuse among the three engagement types

#### 8-1 Introduction

Chapter 5 of the Yellow Book (the attestation engagement chapter) is VERY repetitive of the chapter on financial auditing.

But instead of layering on top of the AICPA Statements on Auditing Standards (SASs) as the financial audit standards do, this chapter layers on top of the AICPA Statements on Standards for Attestation Engagements (SSAEs).

*5.01 This chapter contains requirements, guidance, and considerations for performing and reporting on attestation engagements conducted in accordance with generally accepted government auditing standards (GAGAS). Auditors performing attestation engagements in accordance with GAGAS should comply with the American Institute of Certified Public Accountants (AICPA) general attestation standard on criteria, the field work and reporting attestation standards, and the corresponding statements on standards for attestation engagements (SSAEs), which are incorporated in this chapter by reference. Auditors performing attestation engagements in accordance with GAGAS should also comply with the additional requirements in this chapter. The requirements and guidance contained in chapters 1 through 3 also apply to attestation engagements performed in accordance with GAGAS.*

As of September 2011 (the date of this writing), AICPA SSAEs are available for free on AICPA's website. I cannot quote them here extensively due to copyright law. However, if you do an SSAE engagement, I suggest that you study the relevant SSAEs in detail.

Again, they are neither too long nor very complex. But what they lack in complexity they make up for in specificity. Attestation engagement reports contain very specific wording and auditors are not allowed to change it!

Any differences in language are due to the differences between these two types of engagements. SASs deal with audits while SSAEs deal with attestation engagements. Financial audits express an opinion, so they involve high-

intensity audit work. SSAEs are either limited in scope or limited in intensity. The level of intensity and the scope of attestation engagements vary and depend on the type of attestation engagement: examination, review, or agreed-upon procedure.

#### 8-1-1 What type of attestation engagement are you agreeing to perform?

Key to implementing this chapter is deciding which of the three types of attestation engagement you are performing:

- Examination
- Review
- Agreed-upon procedures

An examination is the most intense engagement in the list, and the requirements for performing it closely mimic the requirements for a financial audit.

When you perform a review or an agreed-upon procedures engagement, many of the requirements do not apply. For instance, on an examination level engagement, you need to gain an understanding of the internal controls relevant to your examination subject. In an agreed-upon procedures engagement, you only do the procedures to which you agreed and do not worry about internal controls.

Here is the definition of the three levels of engagement from Chapter 2 of the Yellow Book in order of their intensity, starting with the most intense engagement first:

*2.09...The three types of attestation engagements are:*

- a. Examination: Consists of obtaining sufficient, appropriate evidence to express an opinion on whether the subject matter is based on (or in conformity with) the criteria in all material respects or the assertion is presented (or fairly stated), in all material respects, based on the criteria.*
- b. Review: Consists of sufficient testing to express a conclusion about whether any information came to the auditors' attention on the basis of the work performed that indicates the subject matter is not based on (or not in conformity with) the criteria or the assertion is not presented (or not fairly stated) in all material respects based on the criteria. Auditors should not perform review-level work for reporting on internal control or compliance with provisions of laws and regulations.*
- c. Agreed-Upon Procedures: Consists of auditors performing specific procedures on the subject matter and issuing a report of findings based on the agreed-upon procedures. In an agreed-upon procedures engagement, the auditor does not express an opinion or conclusion, but only reports on agreed-upon procedures in the form of procedures and findings related to the specific procedures applied.*

But I actually like the definitions from the SSAEs better:

*AICPA ATT 101.54: In an attest engagement designed to provide a high level of assurance (referred to as an examination), the practitioner's objective is to accumulate sufficient evidence to restrict attestation risk to a level that is, in the practitioner's professional judgment, appropriately low for the high level of assurance that may be imparted in his or her report. In such an engagement, a practitioner should select from all available procedures – that is procedures that assess inherent and control risk and restrict detection risk – any combination that can restrict attestation risk to such an appropriately low level.*

*AICPA ATT 101.55: In an attest engagement designed to provide a moderate level of assurance (referred to as a review), the objective is to accumulate sufficient evidence to restrict attestation risk to a moderate level. To accomplish this, the types of procedures performed generally are limited to inquiries and analytical procedures (rather than also including search and verification procedures).*

*AICPA ATT 201.03: An agreed-upon procedures engagement is one in which a practitioner is engaged by a client to issue a report of findings based on specific procedures performed on a subject matter. The client engages the practitioner to assist specified parties in evaluating subject matter or an assertion as a result of a need or needs of the specified parties.... Because the needs of the specified parties may vary widely, the nature, timing, and extent of the agreed upon procedures may vary as well; consequently, the specified parties assume responsibility for the sufficiency of the procedures since they best understand their own needs.... The practitioner does not perform an examination or review and does not provide an opinion or negative assurance. Instead, the practitioner's report on agreed-upon procedures would be in the form of procedures and findings.*

Why do I like those explanations better? Because they talk about “levels of assurance.” And I ‘get’ that language. We covered this in previous sections of this text, but I think it deserves another look because of the three levels of attestation engagements.

Auditors provide assurance. They tell their clients whether something is or is not OK. They are objective, third parties who verify that the subject matter meets the criteria.

A high level of assurance means that the auditor is pretty darn sure that the subject matter meets the criteria. To be pretty darn sure, the auditor has to do a lot of work to verify that the subject matter meets the criteria.

An auditor can also work at a moderate level of assurance. This means the auditor is kinda sure that the subject matter meets the criteria. By making this weaker promise, the auditor can do less work than is necessary in giving high assurance.

Or the auditor can simply do what the client asks and make no promises about the subject matter at all. This auditor works at a “no assurance” level.

Obviously, because the auditor does more work in providing a high level of assurance than in providing a moderate level of assurance or no assurance about the subject matter, this is the most costly for the client.

In the CPA realm, when the auditor works at a high level of assurance, the term “opinion” is used. An auditor expresses an opinion on whether the financial statements are presented in accordance with GAAP on a financial audit. An auditor also expresses an opinion on an examination. In an examination, the auditor and the client agree upon the subject matter and the criteria in writing, and the auditor agrees to work at a high level of assurance.

In the CPA realm, the word “conclusion” means that the auditor works at a moderate level of assurance. Conclusions are used when the auditor conducts a review.

In the CPA realm, if asked to perform a procedure and not to draw any conclusions, an auditor is not working within the assurance scale! This auditor neither gives any assurance nor makes any promises; instead, this auditor simply lists what was done and what the results are. Agreed-upon procedure engagements provide no assurance.

Did you notice that I kept saying “In the CPA realm?” Was it too much? Did it get annoying? Well, annoying sticks in the brain! And I want you to know that CPAs see things differently than other auditors. CPAs would never take on an engagement without determining the subject matter, criteria, and level of assurance at the outset. The SASs and the SSAEs actually prevent them from being that flexible.

But flexible is the buzzword of a performance auditor. They can take on any subject matter, any criteria, and any level of assurance. And they can figure all of this out as they go along. But we’ll discuss more about those wacky, flexible performance auditors beginning in Section 9.

Please [click here](#) to read more about this article.

- Leita Hart-Fanta, CPA, CGFM  
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