



# COMMONWEALTH of VIRGINIA

Auditor of Public Accounts

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AICPA Professional Ethics Executive Committee  
<mailto:ethics-exposureDraft@aicpa.org>

To Whom It May Concern,

We appreciate the opportunity to respond to the AICPA Professional Ethics Executive Committee (PEEC)'s exposure draft of proposed revisions to the AICPA Code of Professional Conduct titled *Proposed New and Revised Definitions and Interpretations (Compliance Audit)*. We have incorporated feedback on the specific aspects of the proposed request for comment as included below:

## **Requests for Comment**

### **Request for Comment 1**

*Is the definition of "compliance audit" clear? If not, please explain how it should be clarified.*

We support the proposed new definition of "compliance audit," which provides an appropriate categorization for evaluating independence to meet the needs of applicable report users. We further believe the clarity of the definition and related examples will result in consistent application.

### **Request for Comment 2**

*Is the definition of "compliance audit attest client" clear? If not, please explain how it should be clarified.*

We support the proposed new definition of "compliance audit attest client," which is both clear and appropriate.

### **Request for Comment 3**

*Do you agree that there should be an exception to the independence requirements in a compliance audit for entities that are not subject to compliance audit procedures and report amounts that are trivial and clearly inconsequential? If you disagree, please explain why.*

We agree there should be an exception to the independence requirements in a compliance audit for entities that are not subject to compliance audit procedures and report amounts that are trivial and clearly inconsequential. Specifically, we agree with the explanations of the objectives of a compliance audit in paragraphs nine through 16 as supporting basis for applying different independence requirements to a compliance audit attest client than a financial statement attest client, including the two exceptions proposed in the request for comment.

### **Request for Comment 4**

*Do you agree that the affiliates interpretations should not apply in a compliance audit? If you disagree, please explain why*

We strongly agree that affiliates interpretations should not apply in a compliance audit on the basis that significant threats to independence generally do not exist for relationships and circumstances with affiliates of a compliance audit attest client, as described in paragraph 36.

### **Request for Comment 5**

*Do you agree that the revision in each of the affiliate's interpretations serves as a useful reminder that these interpretations do not apply to specific attest engagements (e.g., compliance audits and engagements performed under the SSAEs)? If you disagree, please explain why.*

We agree that the revision in each of the affiliate's interpretations serves as a useful reminder that these interpretations do not apply to specific attest engagements.

### **Request for Comment 6**

*Do you agree that entities that are not subject to compliance attestation procedures in an engagement performed under the SSAEs are not considered responsible parties and therefore are not subject to the "Independence Standards for Engagements Performed in Accordance with Statements on Standards for Attestation Engagements" subtopic (ET section 1.297)? If you disagree, please explain why.*

We agree that entities that are not subject to compliance attestation procedures in an engagement performed under the SSAEs are not considered responsible parties and therefore are not subject to the standards as described above.

### **Request for Comment 7**

*Do you agree that the effective date provides adequate time to implement the proposals? If you disagree, please explain why.*

We agree that the effective date of compliance audits commencing after June 15, 2023, provides adequate time to implement the proposals.

## **Request for Comment 8**

*What independence requirements applicable to compliance audits would you like further explained through nonauthoritative guidance?*

### Define Compliance Audit Procedures

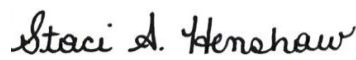
We believe there is an opportunity to include further guidance on what constitutes a “compliance audit procedure” in paragraph 8. While we agree with the proposed definition of “compliance audit attest client”, we believe the proposed guidance, as read currently, is not clear as to the nature or extent of procedures that would meet the definition of a “compliance audit procedure.” For example, when performing a single audit of a state, an auditor may perform analytical procedures over the entirety of the state’s federal awards to assist in determining Type A and B federal programs subject to single audit. Our presumption is that such procedures would not constitute compliance audit procedures for the purposes of evaluating exceptions discussed in paragraph 8.

### Expand Guidance over Establishing ‘Trivial’ Thresholds

The example described in paragraph 30 provides \$1,000 out of \$1 billion as an appropriate threshold for determining whether amounts are trivial and clearly inconsequential. We believe this level of conservatism would negate virtually any meaningful benefit of the exception. While we understand that this is only one example, the example is the primary starting point for an auditor’s considerations in the absence of additional considerations or guidance. PEEC should include in nonauthoritative guidance factors auditors may consider in exercising professional judgement to determine the amounts to be considered trivial, as discussed in paragraph 21. As an example, the guidance may address whether it is appropriate for an auditor to consider the actions or requests of intended users of a compliance audit report, for example, that an auditor must report known questioned costs when likely questioned costs are greater than \$25,000 and is not required to risk assess “relatively small” programs as defined by the entity requiring the compliance audit.

We appreciate the efforts of the AICPA Auditing Standards Professional Ethics Executive Committee and the opportunity to provide our comments. Should you have any questions or need additional information concerning our response, please contact Zach Borgerding or me at (804) 225-3350.

Sincerely,

  
Staci A. Henshaw  
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