

Audit Committee News

November 2006

Principal Representatives:

John P. Higgins, Jr., IG/ED,
Chairman
Greg Friedman, IG/DOE
Phyllis Fong, IG/USDA
Gordon Heddell, IG/Labor
Patrick O'Carroll, IG/SSA
Harold Damelin, IG/Treasury
Thomas Gimble,
Acting IG/DOD

ECIE Representative:

Jane Altenhofen, IG/NLRB

FAEC Council:

Helen Lew, AIGA/ED

Highlights

- GAO Weighs-in on Obtaining Internal Control Opinions
- Advisory Council on Government Auditing Standards to Meet
- FASAB Issues Preliminary View on Social Insurance

If you have any questions, please
contact:

Kim Geier at (202) 245-7020

Next Audit Committee Meeting: Tuesday, November 28 at 2:00 pm, Potomac Center Plaza, 550 12th Street, SW, Room 8070

GAO Weighs-in on Obtaining Internal Control Opinions

In September 2006, the Government Accountability Office (GAO) issued its report entitled *Internal Control: Analysis of Joint Study on Estimating the Cost and Benefits of Rendering Opinions on Internal Control over Financial Reporting in the Federal Environment*. In its report, GAO makes two recommendations to the Office of Management and Budget (OMB):

- Develop specific criteria as to when agencies should be required to obtain opinions on internal control over financial reporting, and
- Develop criteria as to when agencies have demonstrated a stabilized, effective system of internal control over financial reporting in order to move to a multiyear cycle for obtaining subsequent opinions on internal control.

The Audit Committee has asked the Federal Audit Executive Council's (FAEC) Audit Committee to develop a position on GAO's recommendations and share them with OMB.

Advisory Council on Government Auditing Standards to Meet

The Advisory Council on Government Auditing Standards will meet Friday, November 17 to discuss public comments on the proposed revisions to the *Government Auditing Standards*. The proposed revisions include:

- Increasing the emphasis on audit quality and ethics,
- Updating the performance audit standards, which included articulating a level of assurance within the context of risk and materiality;
- Incorporating changes to modernize GAGAS by reflecting major developments in the accountability and audit environment; and
- Making revisions throughout the document to clarify the audit standards.

We will continue to keep you updated throughout the process.

FASAB Issues Preliminary View on Social Insurance

The Federal Accounting Standards Advisory Board (FASAB) issued a Preliminary Views (PV) document on Social Insurance. The PV presents two different approaches for accounting for social insurance programs (e.g., Social Security and Medicare). The non-government members believe that for social insurance programs a liability arises when participants meet the eligibility requirements during their working lives. The government members (OMB, GAO, and the Department of the Treasury) believe that a liability arises when participants meet the eligibility requirements and the benefit amount is "due and payable" and propose enhancing social insurance reporting through a new statement that would provide important data on the future sustainability of these and all government programs.

The Audit Committee has asked the FAEC's Financial Statement Committee to convene a working group to review the PV. Copies of the PV may be obtained at www.fasab.gov/exposure.html. Comments are due April 16, 2007.