



April 7, 2023

To Whom It May Concern:

As President of the National State Auditors Association, I, and other members of the NSAA Executive Committee, remain concerned with Iowa Senate File 478 and recently drafted amendments. My March 10, 2023, letter highlighted the state auditing community's concerns that portions of this bill would negatively impact the state auditor's office's ability to perform its duties in accordance with professional auditing standards.

Under these professional standards, if auditors cannot obtain sufficient and appropriate audit evidence due to externally imposed limitations like those in this bill, they may have to issue a qualified opinion on the state's financial statements and its compliance with the laws and regulations of major federal grant programs. This is an undesirable outcome of any audit and would lead to significant concerns for the federal grant-awarding agencies and could result in a loss of federal funds. A qualified opinion on the financial statements could also negatively impact the state's bond rating.

This bill and recently drafted amendments allow audited agencies, rather than an independent party, to refuse disclosure of information to the state auditor because they claim it does not conform with government auditing standards. An adjudication board, established in section 679A.19, is charged with rendering a decision on this issue. This board presents a clear threat to the state auditor's independence. The United States Comptroller General's Government Auditing Standards' Section 3.42 presents examples of circumstances that would create undue influence threats for an auditor or audit organization. Those examples include:

1. External interference or influence that could improperly limit or modify the scope of an engagement or threaten to do so, including exerting pressure to inappropriately reduce the extent of work performed...
2. External interference with the selection or application of engagement procedures or in the selection of transactions to be examined.

In addition to the auditing standard issues, we are specifically concerned with the structure of this board. As written, questions of access to documentation for audits of Executive Branch agencies would be decided by two representatives from the Executive Branch and one from the state auditor's office. As comprised, it clearly favors the audited agency rather than having an objective third party decide the matter. The legislation grants the adjudication board up to 60 days to render a



decision. Allowing 60 days for each dispute could significantly hinder the state auditor's office's ability to promptly and sufficiently complete its critical audit work.

Access to records necessary to conduct an independent audit is essential for the proper oversight of public funds. Therefore, we respectfully request that you eliminate the limitations in Iowa Senate File 478 and any subsequent amendments.

Should you wish to discuss in further detail, please contact me at (860) 240-8651 or Kinney Poynter, CPA, Executive Director, National Association of State Auditors, Comptrollers and Treasurers (NASACT) at (859) 276-1147.

Respectfully,

A handwritten signature in black ink, appearing to read 'John C. Geragosian', with a long horizontal flourish extending to the right.

John C. Geragosian, President
Connecticut State Auditor