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July 7, 2014

To: The United States Department of the Treasury Office of Inspector General
C/O RoDonda B. Thompson, Contracting Officer

RE: Solicitation # TOIG14WHITEPAPER

The American Institute of Certified Public Accountants (AICPA) respectfully submits the following letter in response to the United States Department of the Treasury Office of Inspector General Request for Information on a comprehensive framework of audit procedures to support compliance with auditing and reporting responsibilities under the Digital Accountability and Transparency Act of 2014 (DATA Act).

The AICPA is the world's largest member association representing the accounting profession, with more than 394,000 members in 128 countries and a 125-year heritage of serving the public interest. AICPA members represent many areas of practice, including business and industry, public practice, government, education and consulting.

The AICPA sets ethical standards for the profession and U.S. auditing standards for audits of private companies, nonprofit organizations, federal, state and local governments. It develops and grades the Uniform CPA Examination and offers specialty credentials for CPAs who concentrate on personal financial planning; fraud and forensics; business valuation; and information technology. Through a joint venture with the Chartered Institute of Management Accountants (CIMA), it has established the Chartered Global Management Accountant (CGMA) designation to elevate management accounting globally.

The AICPA supports the application of data standards, and the requirements of the DATA Act to bring the benefits of data standards to government reporting. The eXtensible Business Reporting Language (XBRL) is the data standard used for



reporting financial information to banking regulators, tax authorities, and securities regulators around the globe. In the U.S., XBRL is required for all public company filings with the U.S. Securities and Exchange Commission (SEC), and for all quarterly bank Call Reports with the Federal Deposit Insurance Corporation (FDIC). XBRL was incubated under the auspices of the AICPA. Today the XBRL standard is supported by the independent, not-for-profit XBRL International Consortium and its jurisdictional representatives including XBRL US, Inc.

The AICPA continues to support the adoption of XBRL and other data standards where appropriate. In an effort to support high-quality XBRL tagging of SEC filings, the AICPA has developed a framework and guidance for CPA practitioners to follow in performing engagements on XBRL-tagged information, and for individuals working in organizations who may use these tools to evaluate the quality of their XBRL-formatted information:

- The AICPA [*Principles and Criteria for XBRL-Formatted Information*](#) (AICPA Principles) provides preparers, reviewers, practitioners and users of information formatted in XBRL a basis to evaluate the XBRL files. The principles and criteria were written in general terms and are intended for multijurisdictional use to be applied across a variety of XBRL reporting environments. These principles and criteria were developed by a Task Force of the AICPA Assurance Services Executive Committee, which recognized a need for a more consistent basis for evaluating the quality of XBRL files.
- AICPA Statement of Position 13-2 (AICPA SOP), [*Performing Agreed-Upon Procedures Engagements That Address the Completeness, Mapping, Consistency, or Structure of XBRL-Formatted Information*](#) provides guidance for engagements in which a practitioner performs and reports on agreed-upon procedures related to the XBRL files. It is based on the application guidance of the principles and criteria in the exhibit of ***Principles and Criteria for XBRL-Formatted Information***, tailored to the needs of issuers submitting exhibits to the SEC containing XBRL files.

The audit implications of implementing data standards under the DATA Act will depend to some degree on how the standards are implemented (e.g., the scope of



the data covered, the reporting channels covered, interpretation of the application of existing audit requirements/standards in the context of the newly standardized information, etc.). The AICPA Principles, and to some extent the AICPA SOP, can serve as helpful resources in understanding the assurance considerations that arise in the context of using data standards. We would be happy to provide hard copies of these documents for your reference upon request.

Furthermore, it will be important to consider how the use of data standards might impact the existing audit process covering the impacted reporting streams. In order to meet the SEC's XBRL requirements, most companies employ a "bolt-on" approach, whereby information is tagged in XBRL after financial statements are finalized. Accordingly, the XBRL tagging process falls outside of the scope of internal controls over financial reporting, and therefore is not covered by the integrated audit. For this reason, any auditor involvement with the XBRL formatted information submitted to the SEC is performed on a voluntary basis. Not only does this mean that the accuracy of the XBRL tagging is not considered in the financial statement audit, but this approach also limits the efficiency gains of the program in that data standards are not embedded at the transactional level and, therefore, do not enable automated reporting and analysis. To the extent that Treasury and OMB are considering leveraging data standards to improve the transparency and efficiency of reporting, there will be opportunities to leverage the new data standards in ways that will impact the reporting and audit processes.

With a view toward this kind of positive transformation of reporting and auditing through the use of data standards, the AICPA has developed voluntary, uniform Audit Data Standards that identify the key information needed for audits, and provide a common framework covering: data file definitions and technical specifications; data field definitions and technical specifications; and supplemental questions and data validation routines to help users better understand the data and assess its

completeness and integrity. These non-authoritative standards present a new way of optimizing efficiency and effectiveness in reporting and assurance by facilitating automation and enhancements in the analysis of business information. The benefits of Audit Data Standards include:

- Providing internal and external auditors with standardized data on a timely basis and in a readily usable format. A standard set of company data will be available to auditors on demand, eliminating the need to normalize inconsistent data sets and/or different sources of data.
- Enabling the use of enhanced analytics to be performed on business information or specific data sets.
- Reducing the time and effort involved in accessing data by providing a precise request to IT, or other data owners, of what data is required and the format in which it should be provided; reducing the risk that incorrect or incomplete data will be provided by IT; and reducing the need for IT specialist involvement.
- Providing opportunities to producers of analytic software to develop ready-made audit data standard extraction programs for companies to implement directly into their current enterprise resource planning (ERP) systems.

The AICPA Audit Data Standards are offered in either of the following two file formats: (1) flat file format (pipe-delimited UTF-8 text file format) and (2) eXtensible Business Reporting Language Global Ledger Taxonomy Framework (XBRL GL). The AICPA chose to offer the Audit Data Standards in XBRL GL format because XBRL GL is appropriate for application at the transactional level, and is interoperable with XBRL for reporting, and this flexibility and interoperability is an advantage of XBRL as a data standard for business reporting by corporate and government entities. The AICPA Audit Data Standards framework, while developed for the private sector, can serve as a useful example for consideration by Treasury and OMB in designing and tailoring your approach to implementing data standards in the public sector.



The AICPA stands ready to leverage our network of members and experts to help Treasury and OMB develop a meaningful assessment of the decision points in the implementation of data standards that will impact the audit methodology, and of the possible approaches that might be pursued and what would be required under those approaches (e.g. the development of application guidance under applicable standards).

Furthermore, to the extent that the DATA Act requires Treasury and OMB to establish Government-wide financial data standards for any Federal funds made available to or expended by Federal agencies and entities receiving Federal funds, the AICPA believes that XBRL is the most appropriate data standard to meet this requirement. XBRL US, Inc. is the not-for-profit organization established to support the implementation of standardized business reporting by government and business in the U.S. through marketplace collaboration. Accordingly, OMB and Treasury could benefit from engaging XBRL US, Inc. to review and advise on the implementation of the data standards across the various phases of the project, to provide an independent, expert perspective and to help ensure the optimization of the benefits to the Treasury and OMB and across all impacted agencies.

Sincerely,

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President and CEO
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