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Public Company Accounting Oversight Board  
Attention: Office of the Secretary  
1666 K Street, NW  
Washington, DC 20006-2803

Having recently become aware of your Staff Consultation Paper No. 2015-01, The Auditor's Use of the Work of Specialists, I would like to call your attention to an area of auditing that may otherwise be overlooked. I am sorry that my comments are beyond the due date of July 31 (as noted in the August 2015 issue of Journal of Accountancy). Being a retired CPA, I am not always current with reading professional journals. Anyway, I think my comments may be of interest to your staff.

The Defense Contract Audit Agency (DCAA), a component of the Department of Defense (DoD), performs audits of financial statements prepared by public companies to support pricing proposals and claims submitted to the government. These audits are held out as being in accordance with generally accepted auditing standards. The agency functions much like a large CPA firm within the government, doing audits for other federal agencies and billing by the hour like a CPA firm. Many, if not most, of their auditors are CPAs.

The DCAA audit reports usually indicate either reliance upon the work of technical specialists or include qualifying statements regarding the lack of technical assistance needed to form a complete opinion on the financial statements. An example of technical assistance used or needed would be the need for a qualified engineering analysis of estimates of hours to perform specific functions in the manufacture of a proposed weapon system. Helpful technical assistance would identify the relationship of proposed tasks with tasks of prior systems manufactured. This would enable the auditor to draw upon cost data of the prior tasks in evaluating the fairness of the company's estimate of costs for the new system.

I recommend that your staff include the audits of DCAA in assessing their use of specialists in forming audit opinions on financial statements.

I would be pleased to discuss this subject or provide additional comments upon request.

Sincerely,

A handwritten signature in cursive script, appearing to read "Fred J. Newton".