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September 2, 2009

Ms. Sherry Hazel
Audit and Attest Standards
AICPA
1211 Avenue of the Americas
New York, NY 10036-8775

Dear Ms. Hazel:

On behalf of the National State Auditors Association, we appreciate the opportunity to respond to the AICPA Auditing Standards Board's proposed Statement on Auditing Standards entitled *Quality Control for an Audit of Financial Statements*.

We have reviewed the proposed SAS and generally agree with the provisions contained therein. Below we have provided our response to the issue for consideration as well as the guide for respondents noted in the exposure draft. We have also provided, by paragraph, comments or suggestions that we believe the Board should consider as it finalizes this document.

Issue for Consideration

In the exposure draft, the Board indicated that it is interested in hearing from respondents about whether additional requirements (those from ISA No. 220 that apply only to audits of issuers) relating to engagement quality control review should be included in the proposed SAS. We do not believe those additional requirements relating only to audits of issuers should be included in the proposed SAS, and therefore, we agree with the approach the Board has taken.

Guide for Respondents

In response to the questions posed by the Board with regard to the proposed SAS, we believe the objectives, convergence revisions, and differences between the proposed SAS and ISA No. 220 are appropriate. However, in response to question #4 (considerations specific to audits of governmental entities), we believe the proposed SAS should state that firms conducting government audits should also adhere to the quality control standards contained in *Government Auditing Standards*. In addition, we believe the proposed SAS should state that state audit organizations are not required to follow the AICPA SQCS; rather, state audit organizations, when required by law to follow or choose to follow *Government Auditing Standards*, are obligated to follow the quality control requirements in *Government Auditing Standards*. Therefore, we recommend adding application paragraphs (modeled after paragraph A20 in the Overall Objectives proposed SAS) after paragraph A1, and referenced to paragraph 2. Our suggested wording follows:

Considerations specific to governmental audit organizations

Proposed Statement on Quality Control Standards (SQCS), *A Firm's System of Quality Control*, is not applicable to government audit organizations because these organizations do not meet the definition of "firms that are enrolled in an Institute-approved practice monitoring program". Nonetheless, government audit organizations establish a system of quality control when complying with *Government Auditing Standards*. The quality control standards therein are consistent with that SQCS.

Considerations specific to audits of governmental entities

In addition to proposed Statement on Quality Control Standards (SQCS) *A Firm's System of Quality Control*, a firm may be required by law, regulation, or grant agreement to follow *Government Auditing Standards*, which sets forth relevant auditing standards, including standards on quality control and assurance.

General Comments

- General – With regard to documentation requirements, there seems to be a disconnect between what an auditor might expect to be required to document (to ensure all requirements are met) based on all the “shoulds” contained in the proposed SAS, and what is actually required by paragraphs 23 and 24. In addition, it seems that some of the “shoulds” would be difficult to document such as, “the engagement partner should take responsibility for the engagement team...” It would be helpful if the Board could somehow bridge this disconnect in the proposed SAS. One suggestion might be to add a paragraph to the proposed SAS that is similar to paragraph A9 in the clarified audit documentation standard.

- Paragraph 7 (definition of *engagement quality control review*) – We suggest the last sentence be revised to read:

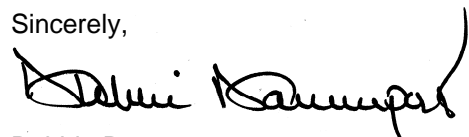
The engagement quality control review process is only for those audit engagements, if any, for which the firm's policies and procedures has determined an engagement quality control review is required.

- Paragraph A7 – The last sentence in this paragraph is awkward and difficult to read. We suggest it be revised as follows to simplify the subject matter:

Additionally, this may include disclosure in the auditor's report about circumstances affecting the auditor's independence when law or regulation does not permit withdrawal from the engagement.

We appreciate the opportunity to respond to such an important document. Should you have any questions or need additional information regarding our response, please contact Sherri Rowland of NSAA at (859) 276-1147 or me at (602) 553-0333.

Sincerely,



Debbie Davenport
President, NSAA