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December 21, 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 Statements on Auditing Standards entitled *Special Considerations—Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks*, and *Special Considerations—Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement*.

We have reviewed the proposed SASs and generally agree with the provisions contained therein. Below we have provided our response to the two issues for consideration and 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.

Issues for Consideration

1. *The ASB is seeking specific comments on the definition of special purpose frameworks and the removal of the term OCBOA.*

We agree with the removal of the term OCBOA and agree with the definition of special purpose framework contained in the exposure draft.

2. *The ASB is seeking specific comments on the requirement to perform procedures necessary to obtain sufficient appropriate audit evidence about financial position, or financial position and results of operations, in the case of an audit of a specific element that is, or is based upon, the entity's stockholders' equity or net income or the equivalent.*

We agree with the requirement to perform procedures necessary to obtain sufficient appropriate audit evidence about financial position, or financial position and results of operations, in the case of an audit of a specific element that is, or is based upon, the entity's stockholders' equity or net income or the equivalent.

Guide for Respondents

In response to the questions posed by the Board with regard to the proposed SAS, we believe the objectives; convergence revisions; differences between the proposed SASs and ISAs 800 and 805, and other language changes; and considerations for audits of smaller, less complex entities and governmental entities are appropriate.

Other Comments

Special Considerations – Audits of Financial Statements Prepared in Accordance with Special Purpose Frameworks

- *Paragraph 7 and A33* – We understand that in the United States, the special purpose frameworks are limited to the four bases of accounting noted in paragraph 7. We are also aware that in the international environment, a compliance basis special purpose framework exists. Because paragraph A33 states that this proposed SAS limits special purpose frameworks to cash, tax, regulatory, and contractual bases, there is some confusion as to this limitation. To make the standard clearer, we suggest an explanatory paragraph be added that describes the Board's conclusions as to why there are only four special frameworks applicable in the United States.

In addition, we believe it would be helpful if examples were provided of situations that would fall under the regulatory and contractual bases of accounting listed in paragraph 7, including government examples where appropriate.

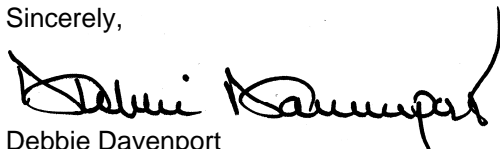
- *Paragraph 8* – This paragraph refers to a footnote, which refers to a paragraph in the Overall Objectives SAS. However, in paragraph A3 of the Specified Elements exposure draft, the substance of the Overall Objectives paragraph is described. For consistency, and improved clarity, we recommend an explanatory paragraph (consistent with paragraph A3 of the Specified Elements exposure draft) be added to the proposed SAS and referenced to paragraph 8.
- *Paragraph A27* – This paragraph references paragraph 22 as containing the minimum specific report elements. However, we believe the appropriate paragraph reference is paragraph 24.

Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts, or Items of a Financial Statement

- *General* – It is not clear what an auditor is required to do when the auditor is engaged to audit a single financial statement (for example, just a balance sheet) and the entity has not already issued, and will never issue, a complete set of financial statements. This happens in practice, for example, when an entity is required by law to have a schedule of revenue and expenses audited, but is not required to prepare and have audited a complete set of financial statements. Without any guidance, we are not sure which standard the auditor should follow, because the preconditions in this standard would appear to preclude the auditor from accepting an engagement as described above.
- *Paragraph A18* – This paragraph should be in the standard rather than in the Application and Other Explanatory Material, since it is not merely explanatory in nature and just by reading paragraph 19 one would not know of this exception.

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