



# National State Auditors Association

April 29, 2010

Mr. Mike Glynn  
Audit and Attest Standards  
AICPA  
1211 Avenue of the Americas  
New York, NY 10036-8775

Dear Mr. Glynn:

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 *Analytical Procedures (Redrafted)*.

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

## *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 520, and other language changes are appropriate.

With regard to considerations for audits of governmental entities, we would suggest better examples be used in paragraph A15. In particular, the last sentence seems to indicate that capital assets aren't reported on the financial statements (which they would be on the government-wide statements and in proprietary-type fund statements). We suggest paragraph A15 be revised as follows:

*The relationships between individual financial statement items traditionally considered in the audit of for-profit businesses may not always be relevant in the audit of governmental entities. For example, relationships describing profitability or return on investment may have limited or no applicability. In addition, the nature of balances reported by a government may result in different expected relationships than those traditionally assumed for businesses. For example, relationships between revenue, receivables and inventory may be different when revenue and receivables arise from non-exchange transactions and inventory does not represent products held for sale.*

If the Board chooses not to revise paragraph A15, we recommend the Board replace the term "fixed assets" with the term "capital assets" as the use of the latter is more in keeping with current governmental accounting standards.

## *Other Comments*

- *Paragraph A21* – The last sentence of this paragraph is awkward and should be clarified. As written, it confuses the requirements in paragraphs 5.b and 5.e with the guidance in paragraphs A16-A17 and A21. The last sentence in paragraph A21, we believe, should clearly indicate that it is referring to the application guidance paragraphs and describing how the auditor may consider that information when building expectations, but is not a contradiction to the requirement (in paragraph 5.b) to consider the reliability of information.

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Mr. Mike Glynn  
April 29, 2010  
Page 2

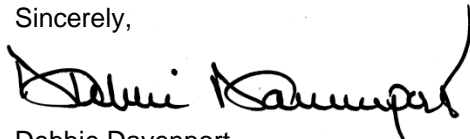
- *Paragraph 7* – We believe this paragraph should refer to “obtaining **sufficient** appropriate audit evidence.”
- *Paragraph A24* – We do not believe the Board has provided sufficient guidance concerning analytical procedures the auditor performs at the end of the audit. Paragraph A24 indicates that analytical procedures performed at the end of an audit may be similar to those the auditor performs as risk assessment procedures. We do not believe this provides sufficient guidance to the auditor concerning the nature of the end of audit analytical procedures.

Further, paragraph 9 of SAS 109, which discusses analytical procedures used as risk assessment procedures, indicates that the auditor should develop an expectation about relationships expected to exist. However, this proposed standard does not address whether the auditor is required to document his/her expectation for analytical procedures performed at the end of the audit.

We recommend the Board include additional guidance in the explanatory material section providing guidance on the nature of analytical procedures that are appropriate at the end of the audit when forming an overall conclusion and address whether the auditor should document their expectations about relationships expected to exist.

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,

A handwritten signature in black ink, appearing to read "Debbie Davenport". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Debbie Davenport  
President, NSAA