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October 18, 2013

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 Standards for Attestation Engagements (SSAE) entitled *Attestation Standards: Clarification and Recodification*.

We have reviewed the proposed SSAE and generally agree with its provisions. Below we have provided our response to the issue for consideration and guide for respondents noted in the exposure draft.

Issue for Consideration

Does this revised structure facilitate understanding and implementing the standards?

Yes. The proposed SSAE restructures the attestation standards in that it consolidates requirements and guidance applicable to all attestation engagements within one section, eliminates repetitious material that is common to all attestation engagements while providing service-specific (examinations, reviews, and agreed-upon procedures) requirements and guidance for each of the three services in separate sections, and highlights differences between these services. As a result, we believe the revised structure will facilitate understanding and implementation of the standards.

Guide for Respondents

1. *Are the objectives of the practitioner in each of the chapters appropriate?*

The objectives of the practitioner in each of the chapters appear appropriate.

2. *Are the substantive and language changes to extant AT sections 20, 50, 101, and 201 made by the exposure draft appropriate?*

In general, we believe the substantive and language changes made to the extant AT sections are appropriate. However, in the table below we have provided specific comments regarding certain paragraphs.

3. *Are there considerations for less complex entities and governmental entities that should be addressed in the exposure draft?*

We have included all items for consideration in the table below.

Para.	Comment
1.10(b)(i)	<p>We suggest amending the second sentence of the definition of <i>examination engagement</i> to align the definition with the practitioner’s objectives described in proposed paragraph 2.3(a) as follows:</p> <p>In an examination engagement, the practitioner obtains reasonable assurance, which is a high, but not absolute, level of assurance, about <i>whether</i> the measurement or evaluation of subject matter against criteria <i>is free from material misstatement</i>.</p>
1.24	<p>As noted under the Changes from Existing Standards in the Explanatory Memorandum, the proposed SSAE restructures the attestation standards so that the requirements and guidance common to <u>all</u> attestation engagements are contained in chapter 1. We find this paragraph to be confusing when it proposes that the practitioner “should disclaim an opinion” when not independent but required by law or regulation to accept the engagement and report on the subject matter or assertion.</p> <p>As clearly indicated in this exposure draft, only an examination engagement results in an “opinion.” A review engagement results in a “conclusion” and an agreed-upon procedures engagement results in “findings.” Since the word “opinion” is used in this paragraph, it implies that it is only addressing an examination engagement. If this is the case, this discussion should be moved to chapter 2. If the intent of this paragraph is to address all three engagement types, then the paragraph should be written to indicate how all three engagement types are to be affected since an opinion can only be disclaimed on an examination engagement.</p>
2.7, 3.10	<p>The use of the term, “preceding,” might be misleading. If a new engagement follows a preceding engagement, then new terms of the engagement should be developed and agreed to. If this is meant to address recurring engagements under a single agreement then this should clearly state that.</p>
2.14; 3.14	<p>We believe that the requirement for the practitioner to “consider materiality for the subject matter” should be direct and more specific. Specifically, we believe the practitioner should determine materiality for the subject matter and should consider quantitative and qualitative factors in determining materiality.</p>
2.30; 3.23	<p>It seems that these paragraphs should limit the response to fraud or suspected fraud and noncompliance, etc., to the subject matter as paragraph 2.29 and 3.22 do. However, if this paragraph is intended to require practitioners to respond to fraud or noncompliance incidental to the subject matter, there should be different courses of action for cases when the fraud or noncompliance directly relates to the subject matter and when it is unrelated to the subject matter.</p>
2.52(i); 3.43(h); 4.25(l)	<p>For clarity and consistency purposes, we would suggest reinstating guidance for the location for restricted use paragraphs in the practitioners report (currently stated in AT 101.80). That guidance has been eliminated under these proposed paragraphs.</p>
2.A70; 3.A48	<p>It is not clear what is meant by “use of symbols.” Please clarify.</p>
2.58	<p>The term “aware” does not imply that the material misstatement noted has to be as a result of the practitioners testing. Some practitioners could easily interpret the term “aware” to be the result of someone telling them of a misstatement, or from minimal testing not meeting the Examination Engagement Standards. It would be a dangerous precedent to set if a practitioner were expected or allowed to report material misstatements he or she became “aware” of apart from testing that meets the Examination Engagement Standards.</p>

Para.	Comment
2.58	We do not believe that material misstatements should be reported by the practitioner if the misstatements are related to the scope limitation. A scope limitation is indicative of the inability of the practitioner to obtain sufficient and appropriate evidence. Erroneous conclusions about misstatements could be reached by the practitioner if sufficient and appropriate evidence cannot be obtained. This paragraph should be rewritten to make it clear that misstatements should only be reported along with a scope limitation if the misstatements are unrelated to the scope limitation and that sufficient and appropriate evidence was obtained as it related to the misstatements.
3.43(h)(iii); 2.52(i)	<p>The language "the alert should" should begin a new sentence on the next line under item iii so that it applies if i, ii, or iii are present. This is consistent with the wording in paragraph 2.52(i).</p> <p>It would also be helpful to have the information in i, ii, and iii indented a little more to the right, with the phrase "the alert should" aligned to the left flush with the first sentence under 3.43(h). In addition, we suggest also applying this formatting to paragraph 2.52(i) to make it clearer.</p>
3.50	This paragraph does not address what the practitioner should do if they cannot withdraw because of a required law or regulation to report on the subject matter. It would be helpful if this were addressed.

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 (651) 296-2551.

Sincerely,



Rebecca Otto
President, NSAA