



October 7, 2016

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 (SAS) entitled, *Auditor Involvement with Exempt Offering Documents*.

We have reviewed the proposed SAS and generally agree with the provisions contained therein. Below are our responses to the Issues for Consideration. We have also provided some additional suggestions that we believe the Board should consider as it finalizes this document.

Issue 1 – Commenters are asked to provide feedback on the types of offerings included in the scope of the standard, specifically whether franchise offerings should be included in the scope of the proposed SAS.

We agree with the types of offerings included in the scope of the proposed standard. However, our members did not inform us of any involvement with franchise offerings and therefore, we do not have specific feedback on their inclusion in the scope of the proposed SAS.

Issue 2 – Commenters are asked to provide feedback on (a) whether they believe the activities that have been identified should trigger involvement and (b) whether additional activities should be considered as triggers for involvement.

We agree with the list of activities in the proposed SAS that have been identified as triggering involvement by the auditor. We have no suggestions for additional activities. However, we do have some specific concerns and suggested changes to the activities listed in paragraph 8.b. as follows:

- Paragraph 8.b.ii. – We do not believe that the mere act of reading a draft of the offering document, in itself, constitutes involvement unless the auditor provides feedback to the entity. We believe this condition should be revised as follows (bold language added): “Reading a draft of, **and providing feedback on**, the offering document at the entity’s request.”
- Paragraph 8.b.vii and A17 – We believe that “Signing a copy of the auditor’s report for inclusion...” will be confusing to auditors, especially given the language used in paragraphs 8.b.vii and A17. It is clear to us what is meant in paragraph A17 by an updated auditor’s report, and therefore, why this condition would be a trigger. However, paragraph 8.b.vii indicates “signing a copy of the auditor’s report” is a trigger and paragraph A17 indicates “providing a copy of the auditor’s report with an original manual or electronic

signature” is not a trigger. The distinction of the difference here is lost, and therefore, we believe may be misapplied in practice. Accordingly, we request the Board revise paragraph 8.b.vii and/or provide better clarity or examples in paragraph A17 so that this confusion will be removed.

Issue 3 – Commenters are asked to provide their views regarding the proposed requirement for subsequent event procedures to be performed when the auditor is deemed involved with an exempt offering document.

We agree with the proposed requirements for subsequent event procedures that will need to be performed when the auditor is deemed involved with an exempt offering. We appreciate the clarification in paragraph A26 regarding government entities and component units.

Additional Comments

- Paragraph 8 –We suggest the Board consider some minor additions to this paragraph to ensure it is clearly understood that the conditions listed under this paragraph result in an auditor’s involvement. Using the language already included in paragraph 1, we suggest this paragraph be revised as follows (bold language added): “The auditor **is deemed to be involved with the offering document and** should apply the requirements of this SAS...”
- Paragraph 11 – Given some of our member’s experiences, we agree with the inclusion of the guidance in this paragraph, suggesting that when involved, an auditor should determine if an offering document overstates his responsibilities.
- Paragraph A26 – We appreciate the guidance included in this paragraph, but the specific example given of a component unit guaranteeing a government’s debt is not a common circumstance. In fact, we believe the example detracts from the primary point of the paragraph’s guidance, which is to describe the scope of the auditor’s subsequent events procedures. Therefore, we suggest deleting the example altogether, as well as making some minor revisions to this paragraph (bold language added):

“In determining the extent of procedures to perform in connection with a governmental debt offering, the auditor may consider the structure of the government and which **funds or** component units relate to the debt offering. If the debt is offered **solely** by a particular component unit, the scope of subsequent event procedures would likely be limited to the applicable component unit responsible for the repayment of the debt. However, if the full set of financial statements for the reporting entity were included, the scope of subsequent event procedures would likely also encompass the primary government.”

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 (609) 847-3470.

Sincerely,



Stephen M. Eells
President, NSAA