



May 18, 2018

Ms. Sherry Hazel  
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 exposure draft titled *Omnibus Statement on Auditing Standards—2018*.

We have reviewed the exposure draft and generally agree with the proposed amendments. Our responses to the specific requests for comment posed in the exposure draft follow.

1. *Please provide your views on the use of the phrase "significant unusual transactions" instead of the phrase "significant transactions that are outside the normal course of business or that otherwise appear to be unusual" consistently throughout GAAS.*

We agree with using the phrase "significant unusual transactions" consistently throughout GAAS. We appreciate the inclusion of the definition for "significant unusual transactions" that encompasses "their timing, size, or nature."

We suggest that the heading above paragraph A54 (page 28) be updated to include the word "unusual."

2. *Please provide your views on whether requiring these procedures, in particular the procedure of "evaluating the financial capability of the other parties with respect to significant uncollected balances, loan commitments, supply arrangements, guarantees, and other obligations, if any," is appropriate for audits of financial statements of nonissuers or whether these procedures would be better placed as application material.*

The procedures described in proposed AU-C 240.32(c)(i), (ii), and (iv) appear reasonable to perform based on the auditor's understanding of the entity and its environment and other information obtained during the audit. However, the procedure in item (iii) to evaluate the financial capability of the other parties with respect to significant uncollected balances, loan commitments, supply arrangements, guarantees, and other obligations does not seem reasonable.

This procedure would involve the application of audit procedures to parties outside of the audit engagement and could prove difficult to perform if they were not willing participants. If the information cannot be obtained, we are concerned that the auditor may have some scope limitations for lack of obtaining this single bit of information. In addition, if the information is obtained, the auditors may not have the necessary knowledge and skills to perform such a subjective evaluation of the third party's financial capabilities.

Due to the difficulties in applying this requirement, we believe the Board should remove item iii. However, if this is not an option, we believe it should be moved to an application guidance

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paragraph and modified to evaluate management's assessment of the financial capability of the other party, rather than having the auditor perform the evaluation.

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 (601) 576-2641.

Sincerely,

A handwritten signature in black ink, appearing to read "Stacey E. Pickering". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

Stacey E. Pickering  
President, NSAA