



September 20, 2019

Mr. Mike Glynn  
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's Accounting and Review Services Committee's proposed Statement on Standards for Accounting and Review Services entitled *Materiality in a Review of Financial Statements, Adverse Conclusions, and Special Purpose Frameworks*.

We have one general comment. We noticed two different proposed effective dates included in the draft. Page 12 indicates the revised AR-C sections would be effective for engagements performed in accordance with SSARs on financial statements for periods ending on or after **June** 15, 2021 and page 45 in AR-C 90 indicates an effective date for reviews of financial statements for periods ending on or after **July** 15, 2021. We believe these should be the same.

Our responses to the specific questions posed in the exposure draft follow:

1. *Please provide your views on the proposed requirements for the accountant to inform management of its reasons for withdrawing when the accountant intends to withdraw from the preparation engagement. Do you believe that the proposed application guidance is helpful and sufficient for accountants in applying the proposed requirement?*

We agree with the proposed requirement as it is consistent with the requirement in AR-C 80.16 when an accountant withdraws from a compilation engagement. We consider the application guidance as helpful and sufficient in applying the proposed requirement.

2. *Please provide your views on the proposed definition of limited assurance and whether you believe that defining the term will assist practitioners in planning and performing high-quality review engagements. If you believe that the proposed definition is not sufficient or is inappropriate, please provide your thoughts about how limited assurance should be defined.*

The proposed definition for limited assurance appears sufficient and appropriate.

3. *Please provide your views on the proposed explicit requirement for the accountant to plan and perform the review with professional skepticism, recognizing that circumstances may exist that cause the financial statements to be materially misstated. Do you believe that the proposed application guidance is helpful and sufficient for accountants in applying the proposed requirement?*

We believe the proposed application guidance is helpful and sufficient for accountants in applying the proposed requirement regarding professional skepticism.

4. *Please provide your views on the proposed explicit requirement for the accountant to determine materiality for the financial statements as a whole and apply this materiality in designing the procedures and in evaluating the results obtained from those procedures. Do you believe that*



*the proposed application guidance is helpful and sufficient for accountants in applying the proposed requirement?*

*Additionally, please provide your views on the proposed requirement for the accountant to design and perform analytical procedures and inquiries to address all material items in the financial statements, including disclosures.*

We support the requirement for the accountant to determine materiality for the financial statements as a whole and apply it in designing the procedures and in evaluating the results of those procedures. We also agree that the analytical procedures and inquiries should address all material items and disclosures in the financial statements.

- 5. Please provide your views on the proposed additional required inquiries of members of management who have responsibility for financial and accounting matters concerning the financial statements.*

We believe that the proposed additional required inquiries of members of management who have responsibility for financial and accounting matters concerning the financial statements are appropriate.

- 6. Please provide your views on the proposed additional required procedures with respect to the accountant's consideration of related parties in a review of financial statements.*

We agree that the accountant should remain alert for arrangements or information that may indicate the existence of related party transactions that management has not previously identified or disclosed to the accountant. If such instances are identified, we agree the accountant should inquire with management about the nature of such transactions and whether related parties could be involved.

- 7. Please provide your views on the proposal to permit the accountant to express an adverse conclusion for an engagement performed in accordance with AR-C section 90 when he or she determines, or is otherwise aware, that the financial statements are materially misstated and the effects of the matter or matters are both material and pervasive to the financial statements.*

*Also, please provide your views regarding whether the reasons to permit an adverse conclusion in accordance with AR-C section 90 are consistent with the reasons to permit an adverse conclusion in accordance with AT-C section 210.*

We strongly support the proposal to permit the accountant to express an adverse conclusion in an AR-C section 90 engagement. As governmental auditors, we are often not allowed the option to withdraw from an engagement. The ability to provide an adverse conclusion would allow users of the financial information to understand why the associated statements are not in accordance with the stated basis of accounting.

We consider the reasons to permit an adverse conclusion in an AR-C section 90 engagement as consistent with the reasons in AT-C section 210.

- 8. Please provide your views on the proposed additional required documentation in a review of financial statements.*



We agree with the proposed requirement to document information that the accountant identified that is inconsistent with the accountant's findings regarding significant matters affecting the financial statements.

9. *Are respondents supportive of the proposed effective date? If you are not supportive, please provide reasons for your response.*

We agree with the proposed effective date as it will allow practitioners sufficient time to prepare to implement the proposed standards.

10. *Respondents are asked to comment on whether they believe that AR-C section 90 should be revised to include explicit reporting requirements and guidance with respect to correction of a material misstatement in previously issued financial statements. If so, respondents are further asked to comment on the appropriateness of the requirements and associated application guidance suggested.*

We are supportive of revisions to AR-C section 90 to include explicit reporting requirements and guidance regarding the correction of a material misstatement in previously issued financial statements. We believe the proposed requirements and application guidance are appropriate.

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 (617) 727-2075.

Sincerely,

Suzanne M. Bump  
President, NSAA  
State Auditor, Massachusetts