



February 4, 2021

Audit and Attest Standards
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

To Whom it May Concern:

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 *Amendments to AU-C Sections 501, 540, and 620 Related to the Use of Specialists and the Use of Pricing Information Obtained from External Information Sources*.

Overall, we are in general agreement with the proposed amendments to AU-C Sections 501, 540, and 620. Below are our responses to the requests for comments posed in the exposure draft. In addition, we have some general comments relating to the proposed amendments.

Request for Comment

1. *Do you agree that the proposed amendments to incorporate appendix A, "Special Topics," of AS 2501 as guidance to AU-C section 540 are appropriate? If not, why not?*

We agree that the proposed amendments to incorporate appendix A, "Special Topics," of AS 2501 as guidance to AU-C section 540 are appropriate. We consider the guidance on the use of pricing information obtained from external information sources as beneficial as it informs auditors of factors to consider and procedures to complete when assessing the reliability of pricing information.

2. *Do you believe the amendments to incorporate appendix A, "Special Topics," of AS 2501 into AU-C section 540 should include requirements? If so, please specify which paragraphs of appendix A, "Special Topics," of AS 2501 should be included as requirements.*

We agree with the Board that the existing requirements of standards are sufficient, and that the appendix is most appropriately provided as application guidance.

We also believe the Board should consider the following comments as it finalizes this standard:

- The reference added to AU-C section 540.A129 appears to be incorrect. The reference is to Appendix D, but we believe it should be to Appendix C (see paragraph .A154).
- The last three bullet points added to AU-C 501.A71 are grammatically inconsistent with the others, and do not appear to add any unique factor to consider in the auditor's analysis. Rather, these factors are the subject of the extant guidance. If the explanation is needed for context (i.e., "increases" or "decreases"), it could be added in paragraph form after the list.
- We prefer the extant guidance in AU-C 501.A83 to the proposed change. The extant guidance is more detailed as to the specific factors an auditor would consider regarding the appropriateness of the work of a management's specialist as audit evidence. This specificity is appropriate for application material and is helpful in describing the aspects of an auditor's judgment for this area.



We find in practice that the reasonableness of assumptions and methods, and the accuracy of source data used, are relevant factors that need to be specifically considered by the auditor to arrive at an appropriate judgment on use of management's specialist. Maintaining the extant factors would also connect this consideration to the proposed guidance in paragraph A84.

- In AU-C 620.A43, we suggest that using the word "impair" rather than "affect" may be a clearer description of when a restriction, disclaimer or limitation in a specialist's report might make the work inadequate for the auditor's purpose.

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 (225) 339-3800.

Sincerely,

A handwritten signature in blue ink that reads "Daryl G. Purpera". The signature is fluid and cursive.

Daryl G. Purpera
President, NSAA