



National Association of State Boards of Accountancy

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Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

VIA E-mail to comments@pcaobus.org

Re: PCAOB Rulemaking Docket Matter No. 012
PCAOB Release No. 2003-023, November 21, 2003
(Proposed Auditing Standard on Audit Documentation and
Proposed Amendment to Interim Auditing Standards)

Dear Board Members:

We appreciate the opportunity to offer comment to the Public Company Accounting Oversight Board (the “Board” or the “PCAOB”) on its proposed auditing standard on audit documentation and its proposed amendment to interim auditing standards. The Board is considering the proposed standards for adoption and submission to the Securities and Exchange Commission (the “Commission” or the “SEC”) pursuant to the Sarbanes-Oxley Act of 2002 (the “Act”).

As stated in our other letters of comment, the National Association of State Boards of Accountancy’s (NASBA’s) ongoing primary focus is upon rules and policies relating to enforcement (including the collection of information that will facilitate enforcement in appropriate cases), with special attention to fostering federal/state cooperation. We believe that close cooperation and a working partnership of the PCAOB and the SEC with NASBA and the State Boards will result in more effective regulatory efforts than otherwise would be achieved. We are pleased that the Commission Orders approving PCAOB rules for a registration system and PCAOB rules relating to compliance with auditing and related professional practice standards and advisory groups encouraged “continued close cooperation” between the PCAOB and state regulatory bodies.

Our Professional & Regulatory Response Committee offers the following comments on the proposed release:

Reviewability Standard. The Board’s proposed standard would require that “audit documentation contain sufficient information to enable an experienced auditor (reviewing auditor), having no previous connection with the engagement, to understand the work that was performed, who performed it, when it was completed, and the conclusions reached.”

We suggest that the proposed requirement specify that in addition to being experienced, the auditor should possess relevant knowledge of the industry or business. Given the complexity of many industries, the level of documentation required to provide sufficient background to someone lacking relevant industry knowledge, could go beyond to what is necessary to adequately document the audit work performed.

Rebuttable Presumption. The release indicates that, “The Board contemplates that oral explanation alone would not constitute persuasive other evidence and invites comment on the addition of such a requirement to the proposed standard.”

We believe that there may be limited circumstances in which only oral explanation could subsequently be presented to support the results of an audited procedure or judgment when there is criticism of non-performance. While we agree that these instances would be unusual and would not overcome a lack of documentation, we believe that an absolute prohibition on oral explanation of evidence should not be added to the standard.

Retention of Audit Documentation. “The proposed standard would add a new requirement that the audit documentation must be assembled for retention within a reasonable period of time after the auditor’s report is released. Such reasonable period of time ordinarily should not exceed 45 days.”

We support this requirement but suggest that 60 days might be a more reasonable period of time.

Subsequent Changes to Audit Documentation. We agree with the proposal that subsequent changes to the working papers should be properly documented. We suggest that the standard make it clear that the requirement to provide such documentation of changes should commence after the 60-day period allowed to assemble the work papers has expired.

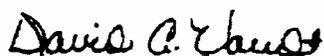
Multi-Location Audits. “The proposed standard would require that sufficient audit documentation, including documentation of work performed by others, be retained in the office issuing the auditor’s report.”

We believe that requiring that audit working papers be physically retained in the office of the issuing auditor is unnecessary and inefficient. The requirements should be that the issuing office must have the right to obtain and have access to all work papers necessary to issue the report. We agree with the Board’s goal that all audit documentation be prepared consistently with the same standards of audit quality. However, we believe that this should be accomplished through the establishment of proper documentation procedures within a firm in accordance with professional requirements and the firm’s quality assurance program.

Using the Work of Other Auditors. Consistent with our comment on multi-location audits above, we believe that the principal auditor should not be required to maintain a complete set of working papers when relying upon the work of another firm. However, the principal audit firm must satisfy themselves that they can rely upon the work of the other audit firm and this should be properly documented in their working papers. There must also be procedures to ensure that all working papers are properly maintained and available in accordance with professional standards and the rules of the Board.

NASBA is pleased to provide these comments and would be happy to answer any specific questions you might have.

Sincerely,



David A. Vaudt, CPA
Chair



David A. Costello, CPA
President & CEO