



National Association of State Boards of Accountancy

150 Fourth Avenue North ♦ Suite 700 ♦ Nashville, TN 37219-2417 ♦ Tel 615/880-4201 ♦ Fax 615/880/4291 ♦ dcostello@nasba.org

David A. Costello, CPA
President & CEO

January 23, 2004

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. 013
PCAOB Release No. 2003-024, December 10, 2003
(Proposed Rules Relating to the Oversight of Non-US Public Accounting Firms)

Dear Board Members:

We appreciate the opportunity to offer comments to the Public Company Accounting Oversight Board (the "Board" or the "PCAOB") on its proposed rules relating to the oversight of non-US public accounting firms. The Board is considering the proposed rules 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").

The National Association of State Boards of Accountancy (NASBA) is the national organization of the accountancy regulators of all states and other US jurisdictions (collectively, the "states"). As stated in our other letters of comment, NASBA's ongoing primary focus is upon rules and policies relating to enforcement, with special attention to fostering federal/state cooperation. NASBA applauds the balanced approach the PCAOB proposes to use in determining foreign firm compliance with public protection requirements.

NASBA supports the premise of the proposal that it is in the public interest, and the interest of investors, to develop an efficient and effective cooperative arrangement where reliance may be placed on the home country system to the maximum extent possible. We believe that the proposals for registration of non-US firms, inspections and investigations and sanctions will accomplish these cooperative arrangements.

In fostering this same focus on international cooperation, the State Boards of Accountancy -- to maintain the authority given to them by state law -- need to uphold the validity and standing of their licenses in the global marketplace. To accomplish this, NASBA's International Qualifications Appraisal Board (IQAB) has worked jointly for several years with the AICPA on forging mutual recognition agreements with other countries' professionals. (For example, NASBA has developed mutual recognition agreements with the Chartered Accountants in Australia and Canada, the CPAs in Australia and the Contadores Publicos Certificados in Mexico, concluding these accountants have substantially equivalent qualifications to those licensed in the US.) These negotiations have been done with guidance from the Office of the US Trade Representative. NASBA understands that those wishing to offer services in all nations party to the GATS are to be treated equivalently

under fair, objective standards. We assume that the PCAOB recognizes the same overarching principle, when applicable, in considering required firm inspections.

When mutual recognition agreements are developed by IQAB, the entry-level qualifications for licensure are considered, including education, examination and experience. By the Sarbanes-Oxley Act's requiring in Section 102 (a)(2)(E) that the PCAOB be provided with "a list of all accountants associated with the firm who participate in or contribute to the preparation of audit reports, stating the license or certification number of each such person, as well as the State license numbers of the firm itself," Congress afforded the PCAOB the benefit of the State Boards' comprehensive licensure process. NASBA recommends that the qualifications of those licensed outside the United States be considered at an early point in the oversight process as an additional factor for the PCAOB to consider in evaluating the rigor of the foreign oversight system.

Additionally, Sections 6(g), 6(h) and 6(j) of the Uniform Accountancy Act (UAA) provide that states can grant reciprocal certificates as certified public accountants to foreign accountants who meet standards equivalent to those in the state. This approach is based on professional competence and its objective is to provide international reciprocity to qualified individuals without imposing arbitrary or unnecessary restrictions. Further, Section 14(j) of the UAA allows foreign licensees to provide audit services in the states to foreign based clients regarding reports only being issued in foreign countries.

Proposed Rule 1001 (f)(iii) Foreign Registrar states: "The term 'foreign registrar' means an entity, other than an entity existing under the laws of the United States or any state, with which a foreign public accounting firm is required to register." We note that a non-US firm and the individual professionals that perform services in a US jurisdiction which by state law would be considered the practice of public accountancy must register in that state, should such registration be required by state law, in addition to any registration required with a "foreign registrar."

NASBA recommends that the inspection program for foreign registered public accounting firms should address compliance with both US auditing standards and international auditing standards (or other applicable auditing standards). A failure to meet the requirement that may be imposed by the host country could well be a concern for the PCAOB.

The evolving global market depends on the integrity of the information that investors are given -- and independent auditors play a crucial role in promoting that integrity. We continue to 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. The impact that the PCAOB's rules can have on the international accounting community is significant and we hope that the developing standards for oversight will help in protecting the public both here and abroad.

Sincerely,



David A. Vaudt, CPA
Chair



David A. Costello, CPA
President & CEO