Dear Ms. Hazel:

We appreciate the opportunity to respond to the exposure draft of the American Institute of Certified Public Accountants Proposed Statement on Auditing Standards: *An Audit of Internal Control Over Financial Reporting That is Integrated With an Audit of Financial Statements*. In general, we agree with the Board’s proposal to move the content of AT section 501 from the attestation standards into generally accepted auditing standards (GAAS). Listed below are our responses to the specific questions for respondents. In addition, we have included comments for your consideration.

**Question 1 – Unintended Consequences**

We believe that moving AT section 501 into GAAS may eventually produce an expectation for auditors to issue an opinion on Internal Controls over Financial Reporting. To avoid that expectation from developing, we suggest clarifying the scope of the standard. Specifically, we believe the Board should more explicitly explain that this standard is only applicable when an auditor is engaged to provide an opinion for an integrated audit of internal control over financial reporting and does not impose additional responsibilities on the auditor beyond those prescribed in other sections of GAAS for the purposes of issuing an opinion for financial statements.

**Question 2 – ASB Proposal of a Separate Standalone SAS**

We agree with the ASB approach of proposing a separate standalone SAS. The standalone SAS offers a central location to assist users in identifying requirements specific to an opinion on internal controls over financial reporting. We believe segregating the new GAAS requirements proposed in the exposure draft is ideal because audit opinions over internal controls are infrequent and may be issued by firms other than those issuing corresponding opinions on financial statements.
Sherry Hazel
November 12, 2014
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**Question 3 – ASB approach relating to the 2013 COSO framework**

We agree with the approach the ASB has adopted relating to the 2013 COSO framework.

**Question 4 – Effect of significant class of transactions, account balance, or disclosure definition**

We agree the defined term *significant class of transactions, account balance, or disclosure* will have the effect of better aligning terminology with minimal impact on practice.

**Additional Comments:**

We believe the Board should provide additional guidance and examples on when an auditor may rely on work performed by “others” as referred to in paragraphs 19 and A25. An auditor’s use of entity personnel, whom often perform operational duties, would not be appropriate when personnel are not objective. We believe there would be limited instances when entity personnel would be objective, such as when a unit exists that reviews the work of another operational unit. We suggest enhanced guidance to address the risks involving reliance on others’ work beyond considerations of internal control risk. We also suggest providing examples to add context to how to apply the guidance. We further recommend addressing the risk concerning smaller, less complex entities since those entities often experience difficulties segregating duties.

We noted “Error! Reference source not found,” (example page 39), at various points throughout the proposed SAS and would advise correcting the errors with the appropriate references.

We noted the definition of “Deficiency in internal control” written in paragraph 5 is identical to the definition provided in AU-C 265; however, the other definitions provided have meanings not specifically addressed in other sections of GAAS. We believe inclusion of the definition of “Deficiency in internal control” is inconsistent with the board’s intent to include only definitions which are new to GAAS.

We appreciate the efforts of the AICPA Auditing Standards Board and the opportunity to provide our comments. Should you have any questions or need additional information concerning our response, please contact me or Zach Borgerding at (804) 225-3350.

Sincerely,

Martha S. Mavredes
Auditor of Public Accounts