Dear Ms. Hazel:

We have reviewed the AICPA Auditing Standards Board’s (ASB) Exposure Draft (ED) of the proposed Statement on Auditing Standards titled An Audit of Internal Control Over Financial Reporting That Is Integrated With An Audit of Financial Statements and generally agree with the provisions in the exposure draft. We have responded to the questions posed to respondents.

Questions for Respondents:

1. Are respondents aware of any unintended consequences that would result from moving the content of extant AT section 501 from the attestation standards into GAAS?

   Our primary concern is to avoid any confusion between extant AT section 501 and AU-C section 265 within generally accepted auditing standards (GAAS). We note that AU-C 265.04 informs the auditor that AU-C section 265 does not apply if the auditor is engaged to report on the effectiveness of an entity’s internal control under AT section 501. We would consider it beneficial if you incorporate a similar disclosure in extant AT section 501 that that section does not apply if the auditor is not engaged or required to report on the effectiveness of an entity’s internal control.

2. Do respondents agree with the approach the ASB has taken in proposing a separate standalone SAS instead of addressing an integrated audit in each relevant existing AU-C section?

   We strongly agree with the approach to establish a standalone SAS and AU-C section on this topic. Since many financial audits are not integrated audits, a separate AU-C section is appropriate given the differing responsibilities the auditor has in integrated audits and those that are not.
3. *Do the respondents agree with the approach the ASB has adopted relating to the 2013 COSO framework?*

We have no objections to using the 2013 COSO framework as the basis for evaluating internal control components. We are well aware and have experience using these terms as part of the statewide single audit. Also, State of Michigan statute requires its principle departments to conduct biennial self-assessments of internal control. COSO is the framework used to conduct that assessment. Management and staff throughout State government are familiar with the term COSO and its purposes.

4. *Do the defined terms significant class of transactions, account balance, or disclosure have the effect of better aligning terminology with minimal impact on practice?*

Yes, we agree with the use of these terms to be consistent within GAAS.

We appreciate the opportunity to comment on this exposure draft. Should you have any questions or desire further details on our comments, please contact me or Craig M. Murray, C.P.A., Director of Professional Practice.

Sincerely,

Doug Ringler
Auditor General

Via email