



October 13, 2016

Auditing Standards Board  
American Institute of Certified Public Accountants  
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**Re: Proposed Statement on Auditing Standards, *Auditor Involvement with Exempt Offering Documents***

Dear Board Members and Staff:

Grant Thornton LLP appreciates the opportunity to comment on the Proposed Statement on Auditing Standards, *Auditor Involvement with Exempt Offering Documents* (Proposed SAS), approved for exposure by the Auditing Standards Board (Board) of the American Institute of Certified Public Accountants (AICPA). We respectfully submit our comments and recommendations on the Proposed SAS, including specific paragraph-level comments in the accompanying appendix.

**Scope**

We agree with the types of offerings included in the scope of the Proposed SAS, and we believe that it is appropriate to include franchise offerings.

**Activities that trigger involvement**

We believe the activities that have been identified in the Proposed SAS are appropriate in triggering auditor involvement. However, in reviewing the AICPA Audit and Accounting Guides *State and Local Governments* and *Health Care Entities*, we note that the Board did not include “providing a revised independent auditor’s report for inclusion in the offering document.” The referenced Guides provide further explanation that “a revised report would, for example, eliminate the references made by the auditor in the original report to (a) supplementary information that the auditor reported on in relation to the basic financial statements or (b) the audit and reports required by *Government Auditing Standards*, issued by the Comptroller General of the United States.” It is unclear whether paragraph 8b(vii) of the Proposed SAS is intended to capture the notion of signing revised auditor’s reports considering its inclusion in the referenced Guides. We recommend the Board consider adding this notion either in paragraph 8b(vii) of the Proposed SAS or as clarifying application guidance.

**Subsequent events procedures**

We generally support the subsequent events procedures proposed in the draft and believe it is in the public’s interest for the auditor to perform these types of procedures. However, we recommend that the Board consider whether additional guidance should be provided with respect

to (1) application guidance including matters for consideration that the auditor would need to be alert to regarding disclosures or financial statement items of importance; and (2) the possible responses to those items when identified.

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If you have any questions about our response, or wish to further discuss our comments, please contact Trent Gazzaway, National Managing Partner of Professional Standards, at (704) 632-6834 or [Trent.Gazzaway@us.gt.com](mailto:Trent.Gazzaway@us.gt.com).

Sincerely,



# Appendix

## Specific paragraph-level comments

The following section provides certain specific paragraph-level comments on the Proposed SAS for the Board’s consideration. Certain comments contain specific suggested revisions to the proposed text. ***Boldface italics*** denotes new language; deleted text is shown in ~~strike through~~.

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### Paragraph

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5	<p>Should the definition of “inclusion letter” include the following language since the definitions paragraph precedes proposed paragraph 7, which specifies that references to “included” also encompass “incorporated by reference” in an offering document?</p> <p>...indicating that the auditor agrees to the inclusion <b><i>or incorporation by reference</i></b> of the auditor’s report on financial statements...</p>
8b(vii)	<p>As noted in the comments in the body of our letter, it is unclear whether this trigger includes signing a revised auditor’s report, and we recommend this be clarified through revising the requirement or adding application guidance.</p>
12b(iii)	<p>We question the meaning and use of the phrase “authentic records” in the context of this requirement and recommend the Board consider using language more closely aligned with paragraph 10c of AU-C section 560, <i>Subsequent Events and Subsequently Discovered Facts</i>.</p>
13b	<p>We feel that the purpose of this requirement is not clear and may be unnecessary. We believe that the requirement to read the subsequent period’s financial statements as set forth in paragraph 13a would be sufficient for the predecessor auditor’s purpose of identifying matters that may have a bearing on their report.</p>
13c and 14	<p>According to PCAOB AS 4101, <i>Responsibilities Regarding Filings Under Federal Securities Statutes</i>, there is no requirement for the predecessor auditor to obtain a management representation letter, and we see no reason why the requirements of this Proposed SAS should go beyond what is required of predecessor auditors in other offering scenarios. Therefore, we recommend removing this requirement from paragraphs 13c and 14.</p>
A7	<p>We believe the wording in this paragraph is slightly confusing and recommend the following edits for clarity.</p> <p>Information does not include...or the required supplementary information or <b><i>other</i></b> supplementary information <del>other than required supplementary information</del> accompanying those financial statements...</p>
A12	<p>We recommend the phrase “as defined in AU-C section 920” be in parentheses in order to be consistent with the presentation of proposed paragraph A11.</p>

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A13 We recommend the following edits to better link proposed paragraph A11 to both the underwriter's representation letter and external legal counsel's written opinion.

Auditors use professional judgment...if the underwriter has not provided the representation letter ~~described in paragraph A14~~ or if external legal counsel has not provided the required written opinion **as described in paragraph A11**.

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A22 We are concerned that practitioners may not understand what "an evaluation of liabilities the auditor may be assuming" refers to. We recommend either clarifying this phrase by better defining "the liabilities the auditor may be assuming" or deleting the phrase.

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