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Ms. Sherry Hazel  
Auditing Standards Board  
Via email: [shazel@aicpa.org](mailto:shazel@aicpa.org)

Re: Proposed Statement on Auditing Standards: *Auditor Involvement with Exempt Offering Documents*

Dear Ms. Hazel:

We are pleased to provide our comments on the above exposure draft. We commend the Auditing Standards Board for taking up this project. We believe that practitioners and the public will benefit from the additional clarification provided with respect to the auditor's role in exempt offerings. The world of exempt offerings is expanding and the benefits to the investing public through auditors involvement is of great importance. We agree with the proposal and will provide additional comments below.

By way of background, Baker Tilly Virchow Krause, LLP, is a large nationally recognized accounting firm operating primarily in the Mid-West and Northeast sections of the United States. We have approximately 300 partners and employ approximately 2,500 persons. Our practice is diverse, offering accounting and auditing services as well as tax and consulting services across a broad spectrum of industries and geographies. A significant part of our practice includes not for profit organizations and governments that participate widely in the bond market, through exempt offerings. As such this guidance is helpful.

As a practical matter, we have been following the substance of this guidance on a voluntary basis, as we surmise that many firms of our size do. We believe that auditor involvement strongly aligns with the Code of Professional Conduct, specifically with respect to the CPA's responsibility to the public interest.

Requested comments:

Issue 1:

We agree with the scope of the proposal and concur with inclusion of franchise offerings regulated by the Federal Trade Commission. We believe that the list of exempt offerings in Appendix A appears to be complete, and note that there is a likelihood of increased activity with respect to crowd funding and the new and expanded exemptions available under Regulation A.

Appendix A also notes that not all franchise offerings are regulated by the FTC as some are subject to state franchise laws. We recommend that these offerings, despite their diversity, be in scope for this standard. We also note the requirement for a Uniform Franchise Disclosure Document (“FDD”) in all 50 states. Referencing this document in the application materials with specific guidance to read the document, applying AU-C 720, would be beneficial.

Issue 2:

We agree with the triggers identified to signal auditor involvement and the application of the proposed standard. We did not identify any additional triggers to be included.

With respect to participating in due diligence discussions, we believe it may be beneficial to practitioners to include in the Application Guidance, reference to the *“Principles for Auditor Participation in Oral Due Diligence Discussions – Issued December 19, 2008,”* which were developed by broker dealers and the national accounting firms. These principles include information as to how such oral due diligence should be conducted and provides language that limits risk to the auditors.

We also believe that the Application Guidance could be improved by providing guidance on engagement letters to be used when providing services, such as comfort letters, inclusion letters, etc.

Issue 3:

We agree that the subsequent events procedures are desirable and necessary when auditors have become involved. We believe that these procedures, along with reading the offering documents, are appropriate when involvement occurs.

Thank you very much for this opportunity to provide comments on the proposed standard, which we believe will be most beneficial for the practitioners and the investing public.

Sincerely,



Baker Tilly Virchow Krause, LLP  
Philadelphia, Pennsylvania