



Agenda Item 2A

Excerpt from Chapter 16, Auditor Involvement with Municipal Securities Filings, of the AICPA Audit and Accounting Guide, State and Local Governments

Auditor Involvement

Conditions Affecting Auditor Involvement

16.07 Because there is no SEC requirement for auditor involvement with governmental official statements, an auditor generally is not required to participate in, or undertake any procedures with respect to, a government's official statement.^{fn 5} The following are activities the auditor may become involved in with respect to the official statement:

- Assisting in preparing the financial information^{fn 6} included in the official statement
- Reviewing a draft of the official statement at the government's request
- Signing (either manually or electronically) the independent auditor's report for inclusion in a specific official statement^{fn 7}
- Providing written agreement (for example, through a consent letter or signed authorization form) for the use of the independent auditor's report in a specific official statement (See paragraphs 16.18–.21.)
- Providing a revised independent auditor's report^{fn 8} for inclusion in a specific official statement

^{fn 5} Some auditors require that they become involved with a government's official statements even though the conditions described in this paragraph establishing involvement would not otherwise exist. See the discussion at paragraph 16.11.

^{fn 6} For the purpose of this requirement, *financial information* does not include the financial statements covered by the auditor's opinion or the required supplementary information (RSI) or supplementary information other than RSI accompanying those financial statements that the auditor already considered during his or her audit of the financial statements.

^{fn 7} This situation involves an original manual or electronic signature on the auditor's report, not a reproduction of an auditor's report that was manually or electronically signed. For example, the underwriter or bond counsel may require a copy of the auditor's report with an original manual or electronic signature to file with the official closing documents for the offering.

^{fn 8} 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* (also referred to as the Yellow Book), issued by the Comptroller General of the United States.

- Issuing a comfort letter, the letter described in paragraph .12 of AU-C section 920, *Letters for Underwriters and Certain Other Requesting Parties* (AICPA, *Professional Standards*), or an attestation engagement report in lieu of a comfort or similar letter on information included in the official statement (See paragraphs 16.13–.17.)
- Issuing a report on an attestation engagement relating to the debt offering (See paragraph 16.24.)

- 16.08** Although AU-C section 720, *Other Information in Documents Containing Audited Financial Statements* (AICPA, *Professional Standards*), addresses auditor responsibilities with respect to other information contained in documents such as annual reports, paragraph .02 of AU-C section 720 states that it may be applied, adapted as necessary in the circumstances, to other documents to which the auditor devotes attention. Therefore, if the auditor is involved with an official statement, the guidance in AU-C section 720 may be applied. Chapters 4, “General Auditing Considerations” and 14, “Audit Reporting,” further discuss the requirements and guidance contained within AU-C section 720.
- 16.09** If the guidance in AU-C section 720 is applied, the auditor should communicate the auditor’s responsibility for other information in a document containing audited financial statements, any procedures performed, and the results. That requirement pertains to the financial statements currently being issued, and thus would not apply retroactively to official statements. However, that communication could supply that information for official statements issued during the current audit period and through the auditor’s report date, whether or not the auditor was involved with those official statements.
- 16.10** The auditor is not required to participate in, or undertake any procedures with respect to, a government’s continuing disclosure documents, even though they may include audited financial statements because a government’s continuing disclosures are not required to be submitted to or disseminated from the distributing organizations as a single document. Any attention the auditor devotes to other information included with audited financial statements in continuing disclosure documents at the government’s request should be considered a consulting engagement under the provisions of the AICPA Statement on Standards for Consulting Services No. 1, *Consulting Services: Definitions and Standards* (AICPA, *Professional Standards*, CS sec. 100).

Auditor-Established Involvement

16.11 Although an auditor is not required to become involved with a government's official statements, some auditors include a provision in the terms of the engagement requiring the government to obtain permission from the auditor before using the independent auditor's report in the official statement. Such a provision may be used by the auditor to establish a requirement that the auditor become involved with the government's official statements when the government requests the required permission from the auditor.

Clarification in the Official Statement When There Is No Auditor Involvement

16.12 When the auditor and client agree not to include a provision in the terms of the engagement that would require auditor involvement (see paragraph 16.11), the auditor may include in the terms of the engagement a requirement that any official statements issued by the government with which the auditor is not involved clearly indicate the auditor is not involved with the contents of such official statements. Such a disclosure could read as: "[*Name of firm*], our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. [*Name of firm*] also has not performed any procedures relating to this official statement."