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1993

## Comment letters on Proposed SOP, Using the Work of a Specialist

American Institute of Certified Public Accountants. Auditing Standards Board

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June 10, 1993

File Ref. No. 1120  
4568

To the Auditing Standards Board:

Re: Exposure Draft of proposed SOP, Using the Work of a Specialist

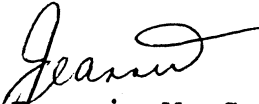
Here are comment letters received to date on the proposed SOP, Using the Work of a Specialist. We should be receiving future comment letters since the deadline is June 30, 1993.

Name/Affiliation

Location

- |  |              |
|--|--------------|
| 1. Timothy Durbin, CPA<br>Arthur Andersen & Co.  | Detroit, MI  |
| 2. Don M. Pallais, CPA<br>Own Account  | Richmond, VA |
| 3. Joseph F. Yospe, CPA<br>Auditing & Accounting Standards<br>Committee of the NJ Society of<br>CPAs | Roseland, NJ |

Sincerely,



Jeannie M. Summo  
Technical Manager  
Auditing Standards Division

JMS/l  
Enclosures



# ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO, SC



May 5, 1993

---

Arthur Andersen & Co.

Ms. Jeannie Mebus, Technical Manager  
Auditing Standards Division  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, New York 10036-8775

---

One Detroit Center  
500 Woodward Avenue  
Detroit MI 48226-3424  
313 596 9000

Re: File 4568

Dear Jeannie:

This letter is in response to the proposed Statement on Auditing Standards, "Using the Work of a Specialist."

We support the proposed standard for using the work of specialists, and believe it is a considerable improvement over the original pronouncement. We do have a number of suggestions to improve and clarify the guidance contained in the proposal. Many of these represent a collection of ideas or notes from other meetings, in which questions have arisen that should probably be addressed by the task force. These suggestions are set forth in the remainder of this letter.

- Footnote 1 acknowledges the auditor's capabilities concerning income tax matters. In view of the auditor's knowledge of, and the increasing importance of, taxes other than income taxes such as sales and use, property, payroll (perhaps even value added?), should the footnote be revised so that it's not limited to income taxes?
- During an April meeting with representatives of the American Bar Association, I understand an issue was raised concerning the interaction of SAS No. 54 and SAS No. 11. Specifically, when an auditor consults with a client's legal counsel regarding a possible illegal act pursuant to paragraph 10a of SAS No. 54, the guidance in SAS No. 12 does not apply. Does footnote 2 satisfactorily address their concern?
- Footnote 5 could be expanded to encompass audits of special presentations such as elements or accounts of financial statements.
- Paragraph 3a cites valuation of restricted securities as an example of a situation requiring special skill or knowledge. I understand that the guidance in the audit guide for investment companies appears to exempt applying SAS No. 11 to audits of these entities. If this is an issue, perhaps either the audit guide should be amended, or a footnote added to the SAS.
- In paragraph 3, consider adding an example of environmental cleanup costs, to highlight the growing importance of, and difficulty of auditing, such costs.
- Paragraph 6 discusses circumstances where a client can influence the specialist. Don't we have a similar issue if the specialist owns stock in the client, and can therefore "influence" the client? Do we need to provide guidance?



# ARTHUR ANDERSEN

ARTHUR ANDERSEN & CO, SC

Ms. Jeannie Mebus, Technical Manager

Page 2

May 5, 1993

- In paragraph 9:
  - The third sentence states "The auditor should consider whether the specialist's findings support the related representations in the financial statements and, depending on the auditor's assessment of control risk, make appropriate tests of accounting data provided by the client to the specialist (emphasis added). What about data used by the specialist that is not provided by the client? Is an auditor only responsible for testing accounting data when the client provides it? Paragraph 38 of FASB Statement No. 106 (copy attached) provides that an actuary may use actual claims experience of other employers in the absence of sufficiently reliable experience at the auditor's client. It further acknowledges that such claims experience may be developed and maintained by insurance companies or actuarial firms. I understand that some actuarial firms do maintain such data bases, and use these in the FAS 106 calculations for certain of their clients. It seems that an auditor may have some responsibility to test such information, just as he or she would if that data were provided by the client. It also seems that the best place to provide guidance on this issue is in this Statement, and not SAS No. 70 or somewhere else.
  - Further, in the above underscored phrase from paragraph 9, should "accounting data" be changed to "data"? Is the word "accounting" too restrictive in this context?
  - Finally, and also in paragraph 9, the addition of the phrase "depending on the auditor's assessment of control risk" seems to imply that the auditor would not have to test the accounting data if control risk was assessed below the maximum. Perhaps the guidance would be clearer if this sentence read, "The auditor should consider whether the specialist's findings support the related representations in the financial statements and make appropriate tests of accounting data provided by the client to the specialist, the extent of which will depend on the auditor's assessment of control risk."
- At the April 1993 meeting of the Board, Jerry Sullivan mentioned practice problems with SAS No. 11 encountered by the Public Oversight Board. Specifically, he said that, in their view, auditors generally do not have the ability (training or expertise) to obtain an understanding of methods and assumptions used, and to assess the comparability of methods between years. Many may not fully understand the requirement that the "auditor should obtain an understanding of the methods and assumptions used by the specialist to determine whether the findings are suitable for corroborating the representations in the financial statements." If the Board believes that this wording creates an unacceptable risk that the auditor would be held responsible for the reasonableness of the specialist's methods and assumptions, perhaps the second sentence in paragraph 9 could be revised to read, "The auditor should obtain an understanding of the methods and assumptions used by the specialist, and based on that understanding, consider whether they appear to be obviously inappropriate in the circumstances."

ARTHUR  
ANDERSEN

ARTHUR ANDERSEN & CO. SC

Ms. Jeannie Mebus, Technical Manager

Page 3

May 5, 1993

- When the Board gets closer to finalizing this SAS, it should consider whether the proposed effective date needs to be changed. Certain aspects of this standard apply to the planning stage of the audit; therefore, we should not impose an effective date for audits relating to financial statement periods for which the planning phase may have already been performed.

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We would be pleased to discuss our comments and suggestions in more detail at your convenience.

Very truly yours,

ARTHUR ANDERSEN & CO.

By



Timothy E. Durbin

Enclosure

36. The assumed per capita claims cost by age is the annual per capita cost, for periods after the measurement date, of providing the postretirement health care benefits covered by the plan from the earliest age at which an individual could begin to receive benefits under the plan through the remainder of the individual's life or the covered period, if shorter. The assumed per capita claims cost shall be the best estimate of the expected future cost of the benefits covered by the plan.<sup>15</sup> It may be appropriate to consider other factors in addition to age, such as sex and geographical location, in developing the assumed per capita claims cost.

37. Past and present claims data for the plan, such as a historical pattern of gross claims by age (claims curve), should be used in developing the current per capita claims cost to the extent that those data are considered to be indicative of the current cost of providing the benefits covered by the plan. Those current claims data shall be adjusted by the assumed health care cost trend rate. The resulting assumed per capita claims cost by age, together with the **plan demographics**, determines the amount and timing of expected future gross eligible charges.

38. In the absence of sufficiently reliable plan data about the current cost of the benefits covered by the plan, the current per capita claims cost should be based, entirely or in part, on the claims information of other employers to the extent those costs are indicative of the current cost of providing the benefits covered by the plan. For example, the current per capita claims cost may be based on the claims experience of other employers derived from information in data files developed by insurance companies, actuarial firms, or employee benefits consulting firms. The current per capita claims cost developed on those bases shall be adjusted to best reflect the terms of the employer's plan and the plan demographics. For example, the information should be adjusted, as necessary, for differing demographics, such as the age and sex of plan participants, health care utilization patterns by men and women at various ages, and the expected geographical location of retirees and their dependents, and for significant differences between the nature and types of benefits covered by the employer's plan and those encompassed by the underlying data.

39. The assumption about health care cost trend rates represents the expected annual rates of change in the cost of health care benefits currently provided by the postretirement benefit plan, due to factors other than changes in the demographics of the plan participants, for each year from the measurement date until the end of the period in which benefits are expected to be paid. Past and current health care

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<sup>15</sup>If significant, the internal and external costs directly associated with administering the postretirement benefit plan also should be accrued as a component of assumed per capita claims cost.

May 10, 1993

Ms. Jeanne Mebus  
Technical Manager  
Auditing Standards Division  
File 4568  
AICPA  
1211 Avenue of the Americas  
New York, NY 10036-8775

Dear Jeanne:

✓ I appreciate the opportunity to comment on the proposed SAS, Using the Work of a Specialist. I question the need to issue a new SAS to address what seems to be fairly minor adjustments to SAS No. 11. However, if the Board chooses to complete this project it should consider the following suggestions.

✓ I find footnote 3 confusing. As written, paragraph 1b suggests that if a member of my staff provides advisory services to a client the results of that service fall under the standard, but if I also put that person on my staff for the audit engagement, the results of that service no longer fall under the SAS. Similarly, under 1c a stranger I hire falls under the SAS but a similar individual in my employ doesn't. I recognize that this attempts to replace the 1979 interpretation on the matter, but it doesn't clarify the matter; if anything it confuses it more. What's missing is a rationale: Is there a difference between evidential matter supplied apart from an audit and the evidence the auditor develops during the audit? Is there a difference between work done by someone on the auditor's payroll and someone who contracts on in the manner of paragraph 1c?

✓ I presume paragraph 4 is intended to require the auditor to consider the matters listed, however the opening sentence is indefinite. I suggest changing that sentence to read:  
The auditor should evaluate the professional qualifications of the specialist to determine that the specialist possesses the necessary skill and knowledge in the particular field.

✓ Footnote 6 implies that documentation of this understanding is required. Since there is no requirement to document the understanding about the nature of the audit engagement itself, I suggest deleting this footnote.

✓ If the Board intends to adopt the requirement in SOP 92-4 (footnote 8) it should do so in a straightforward manner. The SOP cannot overrule the requirements of an SAS,

as this footnote implies. Rather, the footnote should read:

✓ In the specific situation involving insurance entities loss reserves an outside loss reserve specialist, that is, one who is not an employee or officer of the client, should be used. For more information see Statement of Position 92-4.

Sincerely,

A handwritten signature in cursive script, appearing to read "J. Keller", written in black ink.



New Jersey Society of Certified Public Accountants

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NORTH CALDWELL

BENJAMIN YAZERSKY  
HOBOKEN

June 1, 1993

Ms. Jeanne Mebus, Technical Manager  
Auditing Standards Division  
File Reference No. 4568  
AICPA  
1211 Avenue of the Americas  
New York, New York 10036-8775

**RE: Proposed Statement on Auditing Standards entitled "Using the Work of a Specialist"**

Dear Ms. Mebus:

The Auditing and Accounting Standards Committee (the "Committee") of the New Jersey Society of Certified Public Accountants ("NJSCPA") is pleased to submit its comments on the AICPA's proposed Statement on Auditing Standards entitled "Using the Work of a Specialist" (the "Statement" or the "exposure draft"). The views expressed in this letter represent the majority of the members of the Committee and are not necessarily indicative of the full membership of the NJSCPA.

✓ The Committee is generally supportive of the issuance of a final standard based on the exposure draft. However, as noted in the remainder of this letter, we are concerned about one aspect of how a specialist is defined in the exposure draft.

The Committee believes that paragraph one of the proposed Statement should not include a specific reference to actuaries as an example of a specialist. That reference is too general since many auditors have the necessary skills concerning the disclosures and the actuarial assumptions inherent in FASB Statement Nos. 87, 88, 106, and 112. If the language in the exposure draft was adopted in the final Statement, auditors would be required to ascertain that actuaries possess the necessary skills and knowledge before the auditor could rely on a confirmation or

NJSCPA Comment Letter, Cont.

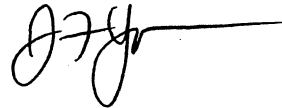
an actuarial valuation report. This may be unnecessary based upon the skills and training of the individual auditor.

✓ We believe that the final Statement should state that based upon an individual auditor's training and experience, an actuary performing standard actuarial calculations related to FASB postretirement and postemployment benefits should not always be considered a "specialist." This could be referred to in the same way as the reference to the scope exclusion of attorneys responding to standard letters of audit inquiries. Naturally, if an auditor does not have the appropriate skills or training regarding specific actuarial calculations, the actuary should then be considered a specialist.

✓ In summary, the final Statement should specify that there are situations when an actuary would not be considered a specialist from an Statement of Auditing Standards No. 11 perspective.

We appreciate your consideration of our comments. If you would like clarification on any of the points addressed in this comment letter, please do not hesitate to call.

Sincerely,



Joseph F. Yospe  
Chairman, Auditing and  
Accounting Standards



June 23, 1993

File Ref. No. 1120  
4568

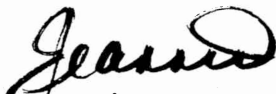
To the Auditing Standards Board:

Re: Exposure Draft of proposed SOP, Using the Work of a Specialist

Here are additional comment letters received to date on the proposed SAS, Using the Work of a Specialist.

<u>Name/Affiliation</u>	<u>Location</u>
4. Douglas R. Norton, CPA State of Arizona Office of the Auditor General	Phoenix, Arizona
5. Edward J. Leonard, CPA Accounting Principles and Auditing Committee of the Florida Institute of CPAs	Tallahassee, Florida
6. Thomas H. McTavish, CPA State of Michigan Office of the Auditor General	Lansing, Michigan
7. Margaret Kelly, CPA State Auditor of Missouri	Jefferson City, Michigan
8. Peter L. McClintock, CPA U.S. Small Business Admin. Office of Inspector General	Washington, DC

Sincerely,



Jeannie M. Summo  
Technical Manager  
Auditing Standards Division

JMS/ljs  
Attachment

4



DOUGLAS R. NORTON, CPA  
AUDITOR GENERAL

STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA  
DEPUTY AUDITOR GENERAL

June 8, 1993

Ms. Jeanne Mebus, Technical Manager  
Auditing Standards Division  
File 4568  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, New York 10036-8775

Re: Exposure Draft - Proposed Statement on Auditing Standards - Using the  
Work of a Specialist

Dear Ms. Mebus:

We have reviewed subject exposure draft and offer the following comment  
for your consideration.

✓ Paragraph 4 lists background information that the auditor should consider  
in evaluating the professional qualifications of the specialist. We  
suggest also advising the auditor to consider inquiry of the licensing  
board, if relevant, as to whether any unresolved complaints have been  
lodged against the specialist.

If you have any questions concerning this response, please contact David  
I. Williams or Mina Van Dyne of the Professional Practice Group of my  
Office at (602) 255-4385.

Sincerely,

Douglas R. Norton  
Auditor General

DRN/gf

cc: Cindy Upton, NSAA



FLORIDA INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS

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June 7, 1993

Jeanne Mebus, Technical Manager  
Auditing Standards Division  
File 4568  
AICPA  
1211 Avenue of the Americas  
New York, NY 10036-8775

The Accounting Principles and Auditing Standards Committee of the Florida Institute of Certified Public Accountants (the "Committee") has reviewed and discussed the Exposure Draft dated April 7, 1993 of a Proposed Statement on Auditing Standards entitled "Using the Work of a Specialist".

General Comment

✓ The Committee generally agrees with the content of the exposure draft and the editorial corrections made to the existing literature. In addition, the inclusion of the interpretations in the text of the document was favored as raising the level of importance of the material contained therein.

Specific Comment

✓ Paragraph 5 indicates that there should be an understanding among the auditor, the client and the specialist which delineates, among other matters, the relationship of the specialist to the client. Footnote 6 indicates that the documentation of the matters discussed could take the form of a letter or could be covered in the specialist's report. The Committee suggests that a form of representation letter be included in the final statement that incorporates the requirements of paragraph 5.

Jeanne Mebus, Technical Manager  
Auditing Standards Division  
June 7, 1993  
Page Two

The members of the Committee appreciate the opportunity to comment on this Exposure Draft.  
We are prepared to discuss any questions you may have concerning our response.

COMMITTEE ON ACCOUNTING PRINCIPLES  
AND AUDITING STANDARDS

A handwritten signature in cursive script that reads "Edward Leonard".

Edward J. Leonard, Chairman  
(813) 748-1040

Members Coordinating Response:  
Michael O'Rourke (305) 379-7000  
Daniel Spivak (305) 667-3500



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
(517) 334-8050  
FAX (517) 334-8079

THOMAS H. McTAVISH, C.P.A.  
AUDITOR GENERAL

6

June 11, 1993

Ms. Jeanne Mebus  
Technical Manager  
Auditing Standards Division (File 4568)  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, New York 10036-8775

Dear Ms. Mebus:

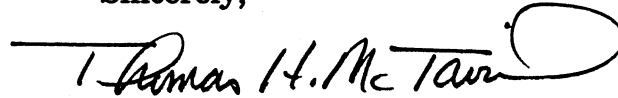
✓ We have reviewed the Exposure Draft of the proposed Statement on Auditing Standards, entitled Using the Work of a Specialist. We generally agree with the proposed guidance in the Exposure Draft; however, we do have two specific comments for consideration by the Auditing Standards Board. We have presented these comments in paragraph sequence to simplify your review process.

- ✓
1. Paragraph 5 lists six items that should be covered in the understanding between the auditor, the client, and the specialist regarding the nature of the work. Item d. specifically states that the understanding should cover "A comparison of the methods or assumptions used with those used in the preceding period." In theory, this proposed guidance appears sound. However, in practice, the auditor may use the work of some specialists (such as appraisers) only occasionally and the work of other specialists (such as actuaries) periodically but less than annually. Therefore, for consistency with the actual practice of using some specialists infrequently, we suggest that Paragraph 5, Item d. be revised to read "A comparison of the methods or assumptions used with those used in the preceding period or preceding engagement, if appropriate."
  2. ✓ Paragraph 13 states that "The auditor may, as a result of the report or findings of the specialist, decide to add explanatory language to her or her standard report or depart from an unqualified opinion. Reference to and identification of the specialist may be made in the auditor's report if the auditor believes such reference will facilitate an understanding of the reason for the explanatory paragraph or the departure from the unqualified opinion." To provide the auditor with more specific guidance, we suggest that Paragraph 13 be expanded to include examples of the explanatory language, the departure from an unqualified opinion, and the reference to and identification of the specialist in the auditor's report.

Ms. Jeanne Mebus  
Page 2  
June 11, 1993

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 Jon A. Wise, C.P.A., Director of Professional Practice.

Sincerely,

A handwritten signature in cursive script that reads "Thomas H. McTavish". The signature is written in black ink and includes a large, stylized loop at the end of the name.

Thomas H. McTavish, C.P.A.  
Auditor General



## STATE AUDITOR OF MISSOURI

JEFFERSON CITY, MISSOURI 65102

MARGARET KELLY, CPA  
STATE AUDITOR

June 10, 1993

(314) 751-4824

Ms. Jeanne Mebus  
Technical Manager  
Auditing Standards Division, File 4568  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, New York 10036-8775

Dear Ms. Mebus:

We have reviewed the proposed Statement on Auditing Standards (SAS) entitled Using the Work of a Specialist, which would supersede SAS No. 11 of the same name.

✓ We support the issuance of the proposed Statement and have no significant modifications to suggest. Among the Statement's changes that should be particularly helpful to auditors are:

- ✓ 1. Reorganization and clarification of the guidance on applicability of the Statement (paragraph 1 and footnote 5 to paragraph 2).
- ✓ 2. Expanded examples of audit situations that may require special skill or knowledge (paragraph 3).
- ✓ 3. Clarification of procedures to be performed by the auditor regarding the specialist's relationship to the client (paragraphs 6-8).

Based on the nature and scope of the changes in the proposed Statement, we also believe the implementation date indicated in paragraph 14 to be reasonable.

We appreciate the opportunity to comment on the proposed Statement. If you have any questions regarding our comments, please contact Myrana Gibler, Audit Manager, of my staff at (314) 751-4213.

Sincerely,

A handwritten signature in cursive script that reads "Margaret Kelly".

Margaret Kelly, CPA  
State Auditor

MK:sb



U.S. SMALL BUSINESS ADMINISTRATION  
OFFICE OF INSPECTOR GENERAL  
AUDITING DIVISION  
Washington, D.C. 20416-4112

JUN 17 1988

Ms. Jeanne Mebus, Technical Manager  
Auditing Standards Division, File 4568  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, N.Y. 10036-8775

Dear Ms. Mebus:

✓ We reviewed the proposed statement on auditing standards (SAS) regarding the use of the work of a specialist. We agree with the proposed revised statement, and would like to suggest that you include an additional example under the "valuation" skill/knowledge.

✓ In paragraph 3a of the proposed revised SAS, we suggest that you include: "portfolio securities whose values are determined in good faith by the company's board of directors." The addition of this phrase would incorporate the investment companies' industry, which frequently value their investments based on good faith estimates by the board of directors in the absence of readily ascertainable market values.

If you have any questions, or would like additional information, please call Mr. John E. Dye, CPA, Deputy Assistant Inspector General for Operational Support Services (Auditing) on (202) 376-6620.

Sincerely,

*Peter L. McClintock*

Peter L. McClintock  
Assistant Inspector General for Auditing



June 30, 1993

File Ref. No. 1120  
4568

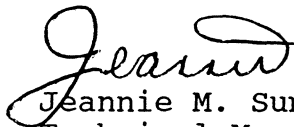
To the Auditing Standards Board:

**Re: Exposure Draft of proposed SAS, Using the Work of a Specialist**

Here are additional comment letters received to date on the proposed SAS, Using the Work of a Specialist.

<u>Name/Affiliation</u>	<u>Location</u>
9. Walter M. Primoff, CPA New York State Society of CPAs	New York, NY
10. John C. Jones, CPA U.S. Environmental Protection Agency	Washington, DC
11. Michael J. Thibault, CPA Defense Contract Audit Agency	Alexandria, VA
12. Deloitte & Touche	Wilton, CT
13. Coopers & Lybrand	New York, NY

Sincerely,

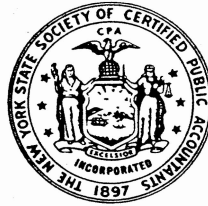


Jeannie M. Summo  
Technical Manager  
Auditing Standards Division

JMS/l  
Attachment

MUR I. GORDON, CPA  
ARILYN A. PENDERGAST, CPA  
ALLEN L. FETTERMAN, CPA  
GEORGE T. FOUNDOTOS, CPA  
NEIL A. GIBGOT, CPA  
MARY B. MOLLOY, CPA  
EDWARD J. HALAS, CPA  
LAURENCE KEISER, CPA  
ROBERT L. GRAY, CPA

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EXECUTIVE DIRECTOR



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CERTIFIED PUBLIC ACCOUNTANTS  
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TELECOPIER 212 972-5710

June 21, 1993

**nysscpa**

Ms. Jeanne Mebus  
Technical Manager  
Auditing Standards Division  
File 4568  
AICPA  
1211 Avenue of the Americas  
New York, NY 10036-8775

Re: Proposed Statement on Auditing Standards - Using the  
Work of a Specialist (Supersedes SAS No. 11, Using  
the Work of a Specialist)

Dear Ms. Mebus:

We are enclosing the comments of the New York State Society of Certified Public Accountants in response to the above Proposed Statement on Auditing Standards. These comments were prepared by the Society's Auditing Standards and Procedures Committee.

If you have any questions regarding the comments, please call me and I will arrange for someone from the committee to contact you.

Thank you for your consideration.

Very truly yours,

Walter M. Primoff, CPA  
Director, Professional Programs

WMP:jz  
Enclosure

cc: Accounting & Auditing Committee Chairmen

AICPA Auditing Standards Division, File 4568

COMMENTS OF THE AUDITING STANDARDS AND PROCEDURES COMMITTEE OF THE NEW YORK STATE SOCIETY OF CERTIFIED PUBLIC ACCOUNTANTS ON THE EXPOSURE DRAFT DATED APRIL 7, 1993, OF A PROPOSED STATEMENT ON AUDITING STANDARDS TITLED "USING THE WORK OF A SPECIALIST"

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The comments of the Auditing Standards and Procedures Committee on the subject Exposure Draft deal with specific matters discussed in the Draft and are sequenced in the order found therein.

Paragraph 1, Footnote 1

✓ The reference in the footnote to the auditor's knowledge concerning income tax matters which permits him to be deemed a specialist is considered a useful and appropriate clarification. However, to distinguish between the knowledge an auditor employs when he/she is primarily an income tax specialist as contrasted to that which an auditor employs in the course of a typical audit of the entire financial statements, the Committee feels that a definition of an "income tax specialist" would be useful.

Paragraph 1b, Footnote 4

✓ The reference in paragraph 1b to a firm's specialists providing advisory services and the related impact on independence in footnote 4 should be clarified, perhaps through the addition of examples. In that connection, the Committee suggests that the information provided in Auditing Interpretation No. 2 of Sec. 336 (quoted on pages 9 and 10 of the Draft), rather than being deleted as proposed, should be edited and incorporated in footnote 4.

Paragraphs 6 through 8

✓ These paragraphs are helpful in their approach to clarifying what an auditor should do when the specialist has a relationship to the client and the auditor believes that the relationship might impair the specialist's objectivity. However, on more specific aspects of these paragraphs, the following comments are relevant.

Paragraph 6, Footnote 7

✓ It is the view of the Committee that the footnote should include the situations discussed in footnote 1 of SAS No. 45, rather than solely making reference to that SAS. In this particular case, avoiding a need for the reader to refer to another document makes the proposed statement more "user friendly."

Paragraph 7, Second Sentence

✓ The application of this sentence to practice would be enhanced if an example, or examples, were provided describing the circumstances when the work of a specialist, who has a relationship with the client, would be acceptable.

Paragraph 8, Second Sentence

✓ The requirement for the auditor to perform additional procedures with respect to some or all of a specialist's assumptions, methods, or findings is considered by the Committee to beg the question as to what some of those procedures might be. An example, or examples, should be provided.

✓ Further, if the auditor believes that the relationship between the client and the specialist might impair the specialist's objectivity and the auditor has assessed the inherent risk associated with the matter at issue as significant, the Committee suggests that the auditor should be required to engage an independent specialist to perform any additional procedures with respect to some or all of the specialist's assumptions, methods, or findings to determine that the findings are not unreasonable.

Paragraph 9, Fourth Sentence

✓ The referenced sentence reads as follows: "Ordinarily, the auditor would use the work of the specialist unless the auditor's procedures lead him or her to believe that the findings are unreasonable in the circumstances." This sentence presumes, among other considerations, that the auditor has adequate knowledge of the appropriateness and completeness of the accounting data provided by the client to the specialist and also has a degree of expertise sufficient to obtain an understanding of the methods and assumptions used by the specialist for the auditor to feel comfortable, after applying those procedures, in assessing the reasonableness or unreasonableness of the findings. The referenced sentence connotes a degree of expertise which seems to go beyond that expected of the typical auditor, as expressed in paragraph 2 - namely, knowledge of business matters in general but not expected to have the expertise of a specialist. Might it not be quite possible that the auditor feels that the area of a specialist's expertise is so esoteric that he or she prefers to obtain the opinion of another specialist or specialists without making an initial evaluation of reasonableness? The last sentence of paragraph 9 seems to suggest that only if the auditor deems that his or her findings result in an unreasonable determination would he or she consider obtaining the opinion of another specialist.

Paragraph 13

✓ This paragraph permits reference to and identification of the specialist in the auditor's report under certain circumstances. The Committee suggests that the auditor be cautioned that, prior to making such reference to and identification of the specialist, he or she should obtain the specialist's specific permission to make such reference and identification.



UNITED STATES ENVIRONMENTAL PROTECTION AGENCY  
WASHINGTON, D.C. 20460

10

JUN 23 1993

OFFICE OF  
THE INSPECTOR GENERAL

Ms. Jeanne Mebus, Technical Manager  
Auditing Standards Division, File 4568  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, N.Y. 10036-8775

Dear Ms. Mebus:

In response to Mr. Sullivan's letter dated April 7, 1993, we have reviewed the AICPA Exposure Draft: Proposed Statement on Auditing Standards - Using the Work of a Specialist. Based on our review, we have no comments.

Should you or your staff have any questions concerning this matter, please contact Frank Pitts, of my staff, on (202) 260-6265.

Sincerely,

A handwritten signature in cursive script that reads "John C. Jones".

John C. Jones  
Assistant Inspector General for Management





DEFENSE CONTRACT AUDIT AGENCY  
CAMERON STATION  
ALEXANDRIA, VA 22304-6178

24 JUN 1993

IN REPLY REFER TO

PFD 3-301

American Institute of Certified Public Accountants  
Auditing Standards Division, File 4568  
1211 Avenue of the Americas  
New York, NY 10036-8775

Dear Ms. Mebus,

The Defense Contract Audit Agency (DCAA) has reviewed the Exposure Draft on Proposed Statement on Auditing Standards -- Using the Work of a Specialist and submits the following comments and suggestions to enhance the proposed Statement on Auditing Standards.

The suggested changes and/or additions to the exposure draft are as follows:

✓ 1. In the section titled **DECISION TO USE THE WORK OF A SPECIALIST**, we suggest that the following example to situations that might require special skills or knowledge be added as paragraph 3 e.

✓ e. Determination of sales for long term contracts using the percentage of contract completion method.

✓ 2. A new section titled **REQUESTING THE ASSISTANCE OF A SPECIALIST** be added to the Statement. We suggest that this new section be added after the decision to use the work of a specialist section. The following is the suggested added wording:

✓ The auditor must obtain specialist assistance on those matters requiring specialized knowledge or qualify the audit report. The requests should be specific and describe the evidential matter to be obtained and evaluated by the specialist and the nature of the work to be performed by the specialist. The auditor should coordinate with other external or internal auditors that have an audit interest in the special matter to determine if specialist's assistance has already been obtained and if reliance can be placed on the other auditor's review of the work of the specialist.

We appreciate the opportunity to contribute comments on the proposed Statement. Please direct any questions concerning this matter to Mr. David Eck, Chief, Policy Formulation Division at (703) 274-7314.

Sincerely,

Michael J. Thibault  
Assistant Director  
Policy and Plans



June 24, 1993

Ms. Jeanne Mebus  
Technical Manager  
AICPA Auditing Standards Division  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, New York 10036-8775

Re: File No. 4568

Dear Ms. Mebus:

We are pleased to comment on the Proposed Statement on Auditing Standards, *Using the Work of a Specialist*. We support the issuance of the proposed standard and offer the following comments for consideration.

**SPECIFIC COMMENTS**

Our comments with respect to specific issues are as follows:

**Paragraph 1**

✓ Applicability of the proposed statement could be clarified if much of the information contained in the footnotes concerning applicability is moved into the *body* of the statement. We recommend that paragraph 1 be split into two paragraphs, introduction and applicability, and that the following revisions be made:

*Introduction*

✓ The purpose of placing a statement concerning tax matters as a footnote is unclear. We recommend that the content of footnote 1 be added to the text of the introduction. Additionally, we believe that the text of footnote 1 should read: "In general, the auditor's education, training, and experience enable him or her to be knowledgeable concerning income tax matters and to be competent to assess their presentation in the financial statements."

*Applicability*

✓ The second part of paragraph 1 concerning applicability of the standard should be covered in a separate paragraph along with situations in which the standard is not applicable; we believe it would be more concise to have situations in which the standard is not applicable in one place rather than scattered through the footnotes.



It is unclear in footnote 2 as to the applicability of the standard to attorneys. We recommend that footnote 2 be clarified to read as follows:

This statement applies to attorneys engaged as specialists in situations other than to provide services concerning litigation, claims, or assessments to which Statement on Auditing Standards [SAS] No. 12, *Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments* [AICPA, *Professional Standards*, vol. 1, AU sec. 337] applies. For example, attorneys may be engaged as specialists in a variety of other circumstances, including interpreting the provisions of a contractual agreement, such as might be necessary for determining the accrual for royalties.

In addition, the concept of audits of financial statements prepared either in accordance with generally accepted accounting principles or in accordance with a comprehensive basis of accounting other than generally accepted accounting principles should be moved from footnote 5 to the applicability section. Guidance should also be added as to the applicability of this statement to special-purpose presentations under SAS No. 62 that are neither GAAP nor OCBOA.

#### Paragraph 5 (Footnote 6)

It is unclear as to what the documentation requirements are for the understanding between the auditor, the client and the specialist as to the nature of the work performed. We believe that either paragraph 5 should be revised to include guidance as to the documentation requirements or, if the statement is merely suggesting that it is best to document the understanding, that footnote 6 be expanded.

#### EDITORIAL COMMENTS

Our comments of an editorial nature are as follows:

#### Paragraph 1 (Footnote 4)

Consideration should be given to adding an example or a cross reference to the applicable guidance concerning consideration of the effect of using the work of a specialist employed by the auditor's firm on the independence of that firm.

#### Paragraph 4

Evaluation of the professional qualifications of the specialist may in rare situations determine that the specialist does not possess the necessary skill. Accordingly, the first sentence of paragraph 4 should be revised to read "to determine **whether** that the specialist possesses the necessary skill or knowledge in the particular field . . ."

#### Paragraph 7

The second sentence of paragraph 7 states, "However, the work of a specialist who has a relationship with the client may be **acceptable** [emphasis added] under certain circumstances." As it is unclear in paragraph 7 as to what acceptable means and to whom, we recommend that paragraphs 7 and 8 be combined.

Paragraph 8 (Footnote 8)

✓ We believe the intention of footnote 8 was to make a statement that the auditor may be required to use the services of an independent specialist in certain situations and that Statement of Position No. 92-4 was intended to be an example of such a situation. Accordingly, we recommend that footnote 8 be revised to read as follows:

✓ In certain situations the auditor may be required to use the services of an independent specialist; for example, in auditing an insurance entity's loss reserves, Statement of Position No. 92-4 requires the use of an outside loss reserve specialist, that is, one who is not an employee or officer of the company.

\* \* \* \* \*

Please contact John B. Sullivan (203/761-3209) if you have any questions or if there is any other way in which we might be helpful.

Sincerely,

*Deloitte + Touche*

June 30, 1993

Ms. Jeanne Summo  
Technical Manager  
American Institute of Certified  
Public Accountants  
Auditing Standards Division  
1211 Avenue of the Americas  
New York, NY 10036-8775

Dear Ms. Summo:

We are pleased to submit the following comments on the proposed Statement on Auditing Standard, Using the Work of a Specialist:

Paragraph 3c

✓ Due to the increasing utilization of self-insurance in various forms by non-insurance entities, we recommend that the example be expanded to "determinations for insurance or self-insurance loss reserves."

Paragraph 5

✓ We recommend that the paragraph be clarified as to whether documentation of the understanding is required. The deletion of the directive to document, and the addition of footnote 6 with conditional language, makes it unclear.

Paragraph 6

✓ To cover situations involving engagements with outside consultants, we recommend that "fee arrangement" be added to the list of circumstances.

✓ We recommend that the auditor be alerted to the fact that actuaries have different independence rules than auditors. The auditor may want to inquire about, and assess the implications of, certain relationships which may be allowed under the actuaries' independence rules but not under the auditor's.

Footnote 8

✓ The guidance in this footnote is incomplete. For example, readers may incorrectly assume that SOP 92-4 does not allow the auditor to act as an outside loss reserve specialist. We recommend that the footnote recognize that the auditor may be a loss reserve specialist.

If you have any questions regarding our comments, please contact A.J. Lorie (212-536-2119) in our National office.

Very truly yours,

*Coopers & Lybrand*

July 7, 1993

File Ref. No. 1120  
4568

To the Auditing Standards Board:

**Re: Exposure Draft of proposed SAS, Using the Work of a Specialist**

Here are additional comment letters received to date on the proposed SAS, Using the Work of a Specialist.

<u>Name/Affiliation</u>	<u>Location</u>
14. William R. Barton, CPA General Services Administration	Washington, DC
15. Glenn J. Vice Jon Flair William D. McCaskill Deborah R. Zundel Joseph A. Akanji Lindsay J. Calub (Accounting and Auditing Standards Committee of Louisiana Society of CPAs)	Metairie, LA
16. J. Ben Vernazza, CPA IMS/CPAs & Associates	Aptos, CA
17. Robert H. Attmore, CPA National State Auditors Association	Lexington, KY
18. Robert P. Cesca, CPA Department of the Treasury	Washington, DC
19. KPMG Peat Marwick	White Plains, NY

Sincerely,



Jeannie M. Summo  
Technical Manager  
Auditing Standards Division



General Services Administration  
Office of Inspector General  
Washington, DC 20405



14

JUN 28 1993

Jeanne Mebus, Technical Manager  
Auditing Standards Division  
File 4568 AICPA  
1211 Avenue of the Americas  
New York, N.Y. 10036-8775

Dear Ms. Mebus:

Thank you for the opportunity to review and comment on the Exposure Draft, Proposed Statement on Auditing Standards, Using the Work of a Specialist, dated April 7, 1993.

After a careful review of this exposure draft, we concur with the proposed revisions. The exposure draft adequately clarifies the existing guidance for auditors who use the work of a specialist in performing an audit of financial statements in accordance with generally accepted auditing standards.

Sincerely,

*William R. Barton*

William R. Barton  
Inspector General

(15)

EXPOSURE DRAFT  
PROPOSED STATEMENT ON AUDITING STANDARDS  
USING THE WORK OF A SPECIALIST

April 7, 1993  
Comment Date: June 30, 1993

Name and affiliation: Glenn J. Vice, Chairman  
Jon Flair, Member  
William D. McCaskill, Member  
Deborah R. Zundel, Member  
Joseph A. Akanji, Member  
Lindsay J. Calub, Member

Accounting and Auditing  
Standards Committee  
Louisiana Society of CPA's

**Comments:**

**Paragraph**

#

- ✓ General The exposure draft appears complete and well written.
- 1-3 Introduction - No comment.
- 4 Not clear as to how we can evaluate the qualifications and work of a specialist. SAS 11 was more specific by suggesting "inquiry or other procedures as appropriate". AU Section 543.10-13 was more specific as to the other auditors when using his or her work. At a minimum, we should retain the wording "by inquiry or other procedures; as appropriate". Otherwise elaborate further. Otherwise, good guidance.
- ✓ 5 We believe this understanding should be documented. We do not see where we mention the documentation of this fact. Otherwise, good guidance.
- 6-8 If the specialist is associated with the client through employment or ownership it would seem that objectivity may be impaired. It would seem appropriate to require the use of a specialist that is not an employee or associated through ownership.
- ✓ It is suggested that the auditor perform additional procedures if the auditor believes the relationship may be impaired. The additional procedures suggested were related to the specialist's assumptions and methods. The reason the auditor is utilizing the specialist is that the auditor lacks the expertise in the specific area. If the specialists objectivity is impaired there would be a great risk that additional procedures would not detect unreasonable findings.
- ✓ 9-11 Good guidance.
- ✓ 12-13 Good guidance.
- 14 Effective date - No comment.

16

# EXPOSURE DRAFT

FILE 4568

## PROPOSED STATEMENT ON AUDITING STANDARDS

### USING THE WORK OF A SPECIALIST

April 7, 1993

Comment date: June 30, 1993

Name and Affiliation: *J. BEN VERNAZZA, CPA, APFS*

Comments:

*Please see my attached comments regarding SRPFP #2 and #3 because of the obvious relationship in the revision of SAS #11.*



*j ben vernazza, cpa / apfs  
IMS / CPAs & Associates  
1641 Calypso Dr.  
Aptos, CA 95003  
408-688-3181  
Fax 408-685-8233*

#### Instructions for Response Form

This form may be used for comments or suggestions relating to any aspect of the exposure draft that is of concern to you. For convenience, the most significant points have been identified in the summary that accompanies this exposure draft. Return this response form to the address indicated on the reverse side by the comment date.

CUT ALONG LINE



# EXPOSURE DRAFT

FILE 1093

## PROPOSED STATEMENT ON RESPONSIBILITIES IN PERSONAL FINANCIAL PLANNING PRACTICE

### WORKING WITH OTHER ADVISERS

May 10, 1993

Comment Date: July 9, 1993

Name and Affiliation:

*J. Ben Vermazza CPA, PFS*

Comments:

*See attached comments and recommendations.*

101-ALC-1093-0114

#### Instructions for Response Form

This form may be used for comments or suggestions relating to any aspect of the exposure draft that is of concern or interest to you. Return this response form to the address indicated on the reverse side by the comment date.

Comments and Recommendations on the Exposure Draft

SRPFP No. 2 -- "Working With Other Advisers"

AICPA, PFP Division, File 1093

by j. ben vernazza, cpa, pfs -- July 1, 1993

The exposure draft does not address the issue of objectivity of a specialist being used by a CPA in a PFP engagement.

There currently is a exposure draft revision proposed by the AICPA Auditing Standards Board entitled "Using the Work of a Specialist" (superseding SAS No. 11, Using the Work of a Specialist). This is attached. One of the major proposed revisions concerns itself with the "Relationship of the Specialist to the [Audit] Client." (See attached Exhibit A)

In auditing, a CPA is concerned about the objectivity and independence of a specialist since third parties rely on the auditors opinions. You might say the CPA's responsibility is to third parties more than their client. This is entirely reversed when a CPA does PFP work for their client -- in this instance the CPA's responsibility is to their client rather than third parties.

I have used the Auditing Standards revision as shown in Exhibit A to provide a proposed new section in the PFP Division's "Working With Other Adviser" draft following paragraph #9 as follows:

**RELATIONSHIP OF THE SPECIALIST TO THIRD PARTIES**

10. *The CPA should evaluate the financial interest, if any, that the specialist has in any transactions recommended, including circumstances that might impair the objectivity of the specialist. Such circumstances include situations in which the specialist, either directly, or indirectly receives remuneration, commissions, kickbacks, etc. from third party vendors or their representatives that could significantly influence recommendations made by the specialist.*

11. *When a specialist does not have a financial relationship with a product vendor, the specialist's work will usually provide the CPA with greater assurance of objectivity. However, the work of a specialist who has a relationship with a product vendor may be acceptable under circumstances where the specialist fully discloses to the CPA, and the CPA to their client, the specialist's financial interest in their recommendation(s).*

12. *If the specialist has a relationship with a product vendor, the CPA should assess the risk that the specialist's objectivity might be impaired. If the CPA believes the relationship might impair the specialist's objectivity, the CPA should suggest additional alternatives to determine that the recommendations are not unreasonable or should engage another specialist for that purpose.*

Exhibit B takes Exhibit A and shows the changes made in order to come up with the above recommended insertion.

## Exhibit A

### Relationship of the Specialist to the Client

6. The auditor should evaluate the relationship of the specialist to the client, including circumstances that might impair the objectivity of the specialist. Such circumstances include situations in which the client has the ability -- through employment, ownership, contractual right, family relationship, or otherwise -- to directly, or indirectly control or significantly influence the specialist.

7. When a specialist does not have a relationship with the client, the specialist's work will usually provide the auditor with greater assurance of reliability. However, the work of a specialist who has a relationship with the client may be acceptable under certain circumstances.

8. If the specialist has a relationship to the client, the auditor should assess the risk that the specialist's objectivity might be impaired. If the auditor believes the relationship might impair the specialist's objectivity, the auditor should perform additional procedures with respect to some or all of the specialist's assumptions, methods, or findings to determine that the findings are not unreasonable or should engage another specialist for that purpose.

## Exhibit B

### Relationship of the Specialist to ~~the Client~~ *Third Parties*

6. The ~~auditor CPA~~ should evaluate the ~~relationship of the financial interest, if any,~~ that the specialist ~~has to the client in any transactions recommended,~~ including circumstances that might impair the objectivity of the specialist. Such circumstances include situations in which the ~~client specialist has the ability through employment, ownership, contractual right, family relationship, or otherwise to either~~ directly, or indirectly ~~control or receives remuneration, commissions, kickbacks, etc. from third party vendors or their representatives that could~~ significantly influence ~~recommendations made by~~ the specialist.

7. When a specialist does not have a *financial* relationship with ~~the client~~ a *product vendor*, the specialist's work will usually provide the ~~auditor CPA~~ with greater assurance of ~~reliability~~ *objectivity*. However, the work of a specialist who has a relationship with ~~the client~~ a *product vendor* may be acceptable under ~~certain~~ circumstances *where the specialist fully discloses to the CPA, and the CPA to their client, the specialist's financial interest in their recommendation(s).*

8. If the specialist has a relationship ~~to the client~~ with a *product vendor*, the ~~auditor CPA~~ should assess the risk that the specialist's objectivity might be impaired. If the ~~auditor CPA~~ believes the relationship might impair the specialist's objectivity, the ~~auditor CPA~~ should ~~perform~~ *suggest* additional ~~procedures alternatives with respect to some or all of the specialist's assumptions, methods, or findings to~~ determine that the ~~findings recommendations~~ are not unreasonable or should engage another specialist for that purpose.

# PROPOSED STATEMENT ON AUDITING STANDARDS

## USING THE WORK OF A SPECIALIST

### INTRODUCTION AND APPLICABILITY

1. The purpose of this Statement is to provide guidance to the auditor who uses the work of a specialist in performing an audit of financial statements in accordance with generally accepted auditing standards. For purposes of this Statement, a specialist is a person (or firm) possessing special skill or knowledge in a particular field other than accounting or auditing.<sup>1</sup> Examples of such specialists include, but are not limited to, actuaries, appraisers, attorneys,<sup>2</sup> engineers, environmental consultants, and geologists. The guidance in this Statement is applicable when<sup>3</sup>:

- a. Management engages or employs a specialist to prepare, or assist in the preparation of, amounts or disclosures in the financial statements, and the auditor intends to use that specialist's work as evidential matter.
- b. Management engages a specialist employed by the auditor's firm to provide advisory services<sup>4</sup> and the auditor intends to use that specialist's work as evidential matter.

<sup>1</sup> In general, the auditor's education, training, and experience enable him or her to be knowledgeable concerning income tax matters and competent to assess their presentation in the financial statements.

<sup>2</sup> Attorneys may be engaged as specialists in a variety of circumstances, such as interpreting the provisions of a contractual agreement; however, this Statement does not apply to the form or content of standard letters of audit inquiry concerning litigation, claims, or assessments and lawyers' responses thereto. (See Statement on Auditing Standards [SAS] No. 12, *Inquiry of a Client's Lawyer Concerning Litigation, Claims, and Assessments* [AICPA, Professional Standards, vol. 1, AU sec. 337].)

<sup>3</sup> This Statement does not apply to situations in which the specialist is employed by the auditor's firm and participates in the audit. (See SAS No. 22, *Planning and Supervision* [AICPA, Professional Standards, vol. 1, AU sec. 311].)

<sup>4</sup> The auditor should consider the effect, if any, that using the work of a specialist employed by the auditor's firm has on independence.

- c. The auditor engages a specialist and intends to use that specialist's work as evidential matter.

### DECISION TO USE THE WORK OF A SPECIALIST

2. The auditor's education and experience enable him or her to be knowledgeable about business matters in general, but the auditor is not expected to have the expertise of a person trained for or qualified to engage in the practice of another profession or occupation. During the audit, however, an auditor may encounter matters potentially material to the fair presentation of financial statements in conformity with generally accepted accounting principles<sup>5</sup> that require special knowledge and that in the auditor's judgment require using the work of a specialist to obtain competent evidential matter.

3. Examples of situations that might require special skill or knowledge include, but are not limited to, the following:

- a. Valuation (for example, special-purpose inventories, high-technology materials or equipment, pharmaceutical products, complex financial instruments, real estate, restricted securities, and works of art)
- b. Determination of physical characteristics relating to quantity on hand or condition (for example, quantity or condition of minerals, mineral reserves, or materials stored in stockpiles)

<sup>5</sup> The guidance provided in this Statement applies to audits of financial statements prepared either in accordance with generally accepted accounting principles or in accordance with a comprehensive basis of accounting other than generally accepted accounting principles. References in this Statement to generally accepted accounting principles are intended to include a comprehensive basis of accounting other than generally accepted accounting principles.

- c. Determination of amounts derived by using specialized techniques or methods (for example, actuarial determinations for employee benefits obligations and disclosures, and determinations for insurance loss reserves)
- d. Interpretation of technical requirements, regulations, or agreements (for example, the potential significance of contracts or other legal documents, or legal title to property)

### QUALIFICATIONS AND WORK OF A SPECIALIST

4. To determine that the specialist possesses the necessary skill or knowledge in the particular field, the auditor should evaluate the professional qualifications of the specialist. The auditor should consider the following:

- a. The professional certification, license, or other recognition of the competence of the specialist in his or her field, as appropriate
- b. The reputation and standing of the specialist in the views of peers and others familiar with the specialist's capability or performance
- c. The specialist's experience in the type of work under consideration

5. An understanding should exist among the auditor, the client, and the specialist as to the nature of the work performed or to be performed by the specialist. This understanding<sup>6</sup> should cover the following:

- a. The objectives and scope of the specialist's work
- b. The specialist's representations as to his or her relationship to the client (see paragraphs 6-8)
- c. The methods or assumptions used

<sup>6</sup> This understanding may be documented in various ways, including in a letter or in the specialist's report.

4. In performing an audit of financial statements in accordance with generally accepted auditing standards, the auditor may use the work of a specialist as an audit procedure to obtain competent evidential matter. The circumstances surrounding the use of a specialist differ. Although the familiarity of individual auditors with the work performed by certain types of specialists may differ, the auditing procedures necessary to comply with generally accepted auditing standards need not vary as a result of the extent of the auditor's knowledge.

### SELECTING QUALIFICATIONS AND WORK OF A SPECIALIST

5. 4. *The To determine that the specialist possesses the necessary skill or knowledge in the particular field, the auditor should evaluate satisfy himself concerning the professional qualifications and reputation of the specialist by inquiry or other procedures, as appropriate. The auditor should consider the following:*

- a. The professional certification, license, or other recognition of the competence of the specialist in his or her field, as appropriate
- b. The reputation and standing of the specialist in the views of his peers and others familiar with his the specialist's capability or performance
- c. The relationship, if any, of the specialist to the client
- c. *The specialist's experience in the type of work under consideration*

6. Ordinarily, the auditor should attempt to obtain a specialist who is unrelated to the client. However, when the circumstances so warrant, work of a specialist having a relationship to the client may be acceptable (see paragraph 5). Work of a specialist unrelated to the client will usually provide the auditor with greater assurance of reliability because of the absence of a relationship that might impair objectivity.

7. 5. An understanding should exist among the auditor, the client, and the specialist as to the nature of the work performed or to be

performed by the specialist. Preferably, the *This* understanding<sup>6</sup> should be documented and should cover the following:

- a. The objectives and scope of the specialist's work
- b. The specialist's representations as to his or her relationship, if any, to the client (see paragraphs 6-8)
- c. The methods or assumptions to be used
- d. A comparison of the methods or assumptions to be used with those used in the preceding period
- e. The specialist's understanding of the auditor's corroborative use of the specialist's findings in relation to the representations in the financial statements
- f. The form and content of the specialist's report findings that would enable the auditor to make the evaluation described in paragraph 8 9

### RELATIONSHIP OF THE SPECIALIST TO THE CLIENT

6. *The auditor should evaluate the relationship<sup>7</sup> of the specialist to the client, including circumstances that might impair the objectivity of the specialist. Such circumstances include situations in which the client has the ability—through employment, ownership, contractual right, family relationship, or otherwise—to directly or indirectly control or significantly influence the specialist.*

7. *When a specialist does not have a relationship with the client, the specialist's work will usually provide the auditor with greater assurance of reliability. However, the work of a specialist who has a relationship with the client may be acceptable under certain circumstances.*

<sup>6</sup> *This understanding may be documented in various ways, including in a letter or in the specialist's report.*

<sup>7</sup> *The term "relationship" includes, but is not limited to, those situations discussed in footnote 1 of SAS No. 45, Omnibus Statement on Auditing Standards—1983 (AICPA, Professional Standards, vol. 1, AC sec. 334).*

8. *If the specialist has a relationship to the client, the auditor should assess the risk that the specialist's objectivity might be impaired. If the auditor believes the relationship might impair the specialist's objectivity, the auditor should perform additional procedures with respect to some or all of the specialist's assumptions, methods, or findings to determine that the findings are not unreasonable or should engage another specialist for that purpose.<sup>8</sup>*

### USING THE FINDINGS OF THE SPECIALIST

8. 9. Although the *The* appropriateness and reasonableness of methods or *and* assumptions used and their application are the responsibility of the specialist, *The* auditor should obtain an understanding of the methods or *and* assumptions used by the specialist to determine whether the findings are suitable for corroborating the representations in the financial statements. The auditor should consider whether the specialist's findings support the related representations in the financial statements and, *depending on the auditor's assessment of control risk*, make appropriate tests of accounting data provided by the client to the specialist. Ordinarily, the auditor would use the work of the specialist unless his *the auditor's* procedures lead him or her to believe that the findings are unreasonable in the circumstances. *If the auditor believes the findings are unreasonable, he or she should apply additional procedures, which may include obtaining the opinion of another specialist.* If the specialist is related to the client (see paragraph 6), the auditor should consider performing additional procedures with respect to some or all of the related specialist's assumptions, methods, or findings to determine that the findings are not unreasonable or engage an outside specialist for that purpose.

<sup>8</sup> *In the specific situation involving the audit of insurance entities' loss reserves, Statement of Position 92-4 requires the use of an outside loss reserve specialist, that is, one who is not an employee or officer of the company.*

## EFFECT OF THE SPECIALIST'S WORK ON THE AUDITOR'S REPORT

9. 10. If the auditor determines that the specialist's findings support the related representations in the financial statements, he *or she* may reasonably conclude that he has obtained sufficient competent evidential matter *has been obtained*. If there is a material difference between the specialist's findings and the representations in the financial statements, or if the auditor believes that the determinations made by the specialist are unreasonable, he *or she* should apply additional procedures. If after applying any additional procedures that might be appropriate he *the auditor* is unable to resolve the matter, the auditor should obtain the opinion of another specialist, unless it appears to the auditor that the matter cannot be resolved. A matter that has not been resolved will ordinarily cause the auditor to conclude that he *or she* should qualify his *the* opinion or disclaim an opinion because the inability to obtain sufficient competent evidential matter as to an assertion of material significance in the financial statements constitutes a scope limitation. ([S]ee section 508.40-41)

SAS No. 58, *Reports on Audited Financial Statements* [AICPA, *Professional Standards*, vol. 1, AU sec. 508.40-41].)

10. 11. The auditor may conclude after performing additional procedures, including possibly obtaining the opinion of another specialist, that the representations in the financial statements are not in conformity with generally accepted accounting principles. In that event, he *the auditor* should express a qualified or adverse opinion. ([S]ee section 508.49-50 and .55 SAS No. 58, *Reports on Audited Financial Statements* [AICPA, *Professional Standards*, vol. 1, AU secs. 508.49-50, .55].)

### REFERENCE TO THE SPECIALIST IN THE AUDITOR'S REPORT

11. 12. When expressing an unqualified opinion, *Except as discussed in paragraph 13*, the auditor should not refer to the work or findings of the specialist. Such a reference in an unqualified opinion might be misunderstood to be a qualification of the auditor's opinion or a division of responsibility, neither of which is intended. Further, there may be an inference that the auditor making such reference performed a more

thorough audit than an auditor not making such reference.

12. 13. If the *The* auditor may, as a result of the report or findings of the specialist (see paragraphs 9 and 10), *decides decide to add explanatory language to his or her standard report* (1) *add an explanatory paragraph describing an uncertainty*, (2) *add an explanatory paragraph describing his or her substantial doubt about the entity's ability to continue as a going concern*, (3) *add an explanatory paragraph to emphasize a matter regarding the financial statements*, or (4) *depart from an unqualified opinion*. Reference to and identification of the specialist may be made in the auditor's report if the auditor believes such reference will facilitate an understanding of the reason for the explanatory paragraph or the departure from the unqualified opinion. [Paragraph *amended to reflect the conforming changes necessary due to the issuance of SAS Nos. 53 through 62.*]

### EFFECTIVE DATE

14. *This Statement is effective for audits of financial statements for periods ending on or after June 15, 1994. Early application of the provisions of this Statement is encouraged.*

## USING THE WORK OF A SPECIALIST: AUDITING INTERPRETATIONS OF SECTION 336

### 1. APPLICABILITY OF GUIDANCE ON THE USE OF SPECIALISTS

01. *Question*—Management may engage or employ a specialist to prepare, or assist in the preparation of, amounts or disclosures in the financial statements. If that amount or disclosure is material to the financial statements, is the guidance in section 336, "Using the Work of a Specialist," applicable when performing an audit of the financial statements in accordance with generally accepted auditing standards?

02. *Interpretation*—Yes. Section 336 states, "During his audit... an auditor may encounter matters

potentially material to the fair presentation of financial statements in conformity with generally accepted accounting principles that require special knowledge and that in his judgment require using the work of a specialist." When a specialist has prepared, or assisted in the preparation of, a matter that is potentially material to the financial statements, if the auditor intends to use that specialist's work as evidential matter, he should follow the guidance in section 336.

03. Thus, as with any specialist whose work the auditor uses, the auditor should satisfy himself as to the professional qualifications and reputation of the specialist, obtain an

understanding of the specialist's methods and assumptions, test accounting data provided to the specialist, and consider whether the specialist's findings support the related representations in the financial statements.

[Issue Date: October 1979.]

### 2. EXCLUSION OF SPECIALISTS ON THE AUDIT STAFF

04. *Question*—Section 336, "Using the Work of a Specialist," in footnote 1 states, "This statement does not apply to using the work of a specialist who is a member of the auditor's staff..." Does this mean

that section 336 does not apply when a specialist with an auditor's firm provides advisory services to a client?

.05. *Interpretation*—No. The exclusion in section 336 only relates to specialists serving as members of the audit staff, that is, those who participate in the audit. For example,

statisticians may assist in the execution of audit sampling plans or computer specialists may assist in the audits of financial statements of clients with complex EDP operations. However, some CPA firms have specialists who provide advisory services in addition to participating in an audit. The exclusion applies

~~only to a specialist's participation in the audit. When a specialist with the auditor's firm provides advisory services to a client and the auditor decides to use that specialist's work as evidential matter, he should follow the guidance in section 336.~~

[Issue Date: October 1979.]



12

# National State Auditors Association

June 30, 1993

**OFFICERS AND EXECUTIVE COMMITTEE**

President  
**ROBERT H. ATTMORE**  
Deputy Comptroller  
Management Audit  
6th Floor  
Alfred E. Smith Building  
Albany, NY 12236  
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President-Elect  
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Secretary-Treasurer  
**MAURICE CHRISTIANSEN**  
Auditor General  
South Dakota

**OTHER MEMBERS**  
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**DANIEL G. KYLE**  
Legislative Auditor  
Louisiana

**R. THOMAS WAGNER, JR.**  
Auditor of Accounts  
Delaware

Jeanne Mebus  
Technical Manager  
Auditing Standards Division  
File 4568  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, New York 10036-8775

Dear Ms. Mebus:

On behalf of the National State Auditors Association (NSAA), I am pleased to provide you these comments regarding the exposure draft of the proposed statement on auditing standards, *Using the Work of a Specialist*. The following comments are not intended to represent a single response for each NSAA member individually. The views of some members may not be fully in concert with all comments presented here. Individual state auditors may wish to comment on this proposed statement separately.

NSAA generally supports the issuance of the proposed statement, and we have no significant modifications to suggest. However, during our review, we noted a few instances in which we believe the statement's guidance could be clarified or expanded to provide more helpful guidance to auditors. As requested, our responses refer to specific paragraph numbers.

*Paragraphs 1 and 2*

The guidance on applicability of the statement provided in paragraph 1 and footnote 5 to paragraph 2 could be reorganized and clarified.

*Paragraph 3*

Additional examples of situations that might require special skill or knowledge could be provided.

*Paragraph 4*

The guidance on evaluating the professional qualifications of the specialist could be expanded to include considering inquiry of the licensing board, if relevant, as to whether any unresolved complaints have been lodged against the specialist.

*Paragraph 5.d.*

✓ Because an auditor may use the work of some specialists less than annually, the guidance on establishing an understanding between the auditor, the client, and the specialist could refer to the previous period or the previous engagement, whichever is applicable.

*Paragraphs 6 - 8*

✓ The guidance on procedures to be performed by the auditor regarding the specialist's relationship to the client could be clarified.

*Paragraph 13*

✓ To provide the auditor with more specific guidance, this paragraph could be expanded to include examples of the explanatory language, the departure from an unqualified opinion, and the reference to and identification of the specialist in the auditor's report.

*Paragraph 14*

✓ Based on the nature and scope of the changes in the proposed statement, the implementation date appears to be reasonable.

NSAA appreciates the opportunity to provide these comments to the AICPA. If you have any questions, feel free to call me at (518) 474-5598 or Cindy Upton at NSAA at (606) 276-1147.

Sincerely,

*Robert H. Attmore*

Robert H. Attmore  
President



DEPARTMENT OF THE TREASURY  
WASHINGTON, D.C. 20220



JUN 30 1993

Jeanne Mebus  
Technical Manager  
American Institute of Certified  
Public Accountants  
1211 Avenue of the Americas  
New York, NY 10036-8775

Dear Ms. Mebus:

In response to the Exposure Draft - Proposed Statement on Auditing Standards, "Using the Work of a Specialist", dated April 7, 1993, we have a question on the role of statisticians, and whether their role should be directly addressed in the Exposure Draft.

We would like to have clarification as to whether statisticians are considered "specialists", even when they may at times perform similar work to that of an auditor (i.e. sample selection), albeit on a more complex level.

According to the definition of a specialist, under the proposed statement, the person must be knowledgeable in a field other than auditing or accounting. However, under AU 350, Audit Sampling, the auditor is responsible for performing sampling procedures. Our question, therefore, is: if an auditor uses a statistician for the purpose of selecting and evaluating a statistical sample, is the statistician considered a specialist under the proposed standard? This question assumes that the statistician employs methods that require skills beyond those acquired by a Certified Public Accountant.

We consider this issue important because the sensitive nature of inventories that we audit requires the highest level of statistical precision, which sometimes entails use of an outside statistician.

Should you have any questions or, if we can be of further assistance, please contact Benjamin H. Sussman or Glenn E. Funkhouser of my staff at (202) 927-5460.

Sincerely,

Robert P. Cesca  
Deputy Inspector General

Certified Public Accountants

Westchester Financial Center  
11 Martine Avenue  
White Plains, NY 10606-1908

Telephone 914 287 6900  
914 287 6990

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July 1, 1993

Ms. Jeanne Mebus  
Technical Manager  
Auditing Standards Division  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, New York 10036-8775

Re: File No. 4568  
Exposure Draft-Proposed Statement on Auditing Standards, *Using the Work of a Specialist*  
April 7, 1993

Dear Ms. Mebus:

✓ We have read the aforementioned exposure draft and support its issuance. Our comments are summarized below in sequential order by paragraph.

✓ • In practice, the exclusion from the applicability of the proposed standard described in footnote 3 to paragraph 1 (i.e., when the specialist is employed by the auditor's firm and participates in the audit) may be difficult to distinguish from the situation described in paragraph 1(b) in which management engages a specialist employed by the auditor's firm to provide advisory services and the auditor intends to use that specialist's work as evidential matter. We suggest the Board consider defining what is meant by the term "participates in the audit" (to distinguish it from using a firm-employed specialist's work as audit evidence).

✓ • Paragraph 9 of the exposure draft states that "The auditor should consider whether the specialist's findings support the related representations in the financial statements and, *depending on the auditor's assessment of control risk*, make appropriate tests of accounting data...(emphasis added)." We believe this sentence should be revised as follows:

✓ "The auditor should consider whether the specialist's findings support the related representations in the financial statements and should test the data provided to the specialist to the extent considered necessary. Among the factors to consider in determining the extent of test work to be performed would be the auditor's assessment of controls risk."

\* \* \* \* \*

We would be pleased to discuss our comments with you.

Very truly yours,

*KPMG Peat Marwick*



July 26, 1993

File Ref. No. 1120  
4568

To the Auditing Standards Board:

**Re: Exposure Draft of proposed SAS, Using the Work of a Specialist**

Here are additional comment letters received to date on the proposed SAS, Using the Work of a Specialist.

<u>Name/Affiliation</u>	<u>Location</u>
20. Lowell R. Allen Own Account	Carmel, IN
21. Ernst & Young	Cleveland, OH
22. Richard D. Ruerson State Tech Board	Unknown

Sincerely,



Jeannie M. Summo  
Technical Manager  
Auditing Standards Division

JMS/ljs  
Attachment

**LOWELL R. ALLEN**

171 Harrowgate Dr.  
Carmel, IN 46033

(317) 844-3417

June 30, 1993

AICPA

Jeanne Mebus, Technical Manager  
Auditing Standards Division, File 4568  
1211 Avenue of the Americas  
New York, NY 10036-8775

Dear Ms. Mebus:

I have the following comments regarding the Exposure Draft on Using the Work of a Specialist.

**Attorneys as specialists**

✓ In footnote 2, the draft makes a distinction between the auditor's use of the "standard letter of audit inquiry concerning litigation" and other situations where an attorney may be a specialist to which this statement applies. I fail to see the distinction between management's use of an attorney, an actuary, an engineer, or any other professional in fulfilling its role to manage its business. Since management can't be experts in all areas affecting business, using the expertise of professionals to assist it is a necessity. In my opinion, the term "specialist" is equally applicable to attorneys as well as other professionals and this statement should apply to attorneys used in litigation matters.

✓ If a distinction is retained, the final statement should explain the reason for the separate treatment of attorneys versus other professional in the auditing literature.

**Independence**

✓ Paragraph 7 - The conclusion is that a specialist that does not have a relationship with the client provides the auditor with greater assurance. The next sentence suggests that the existence of such relationships may be acceptable "under certain circumstances." The statement should be expanded to provide some examples where this could be acceptable. For example, if the specialist were a shareholder in the client or if there was a close family relationship, I would not consider the work as reliable corroborating evidence. However, I believe that the professional standards of certain professions, especially appraisers and actuaries, preclude the acceptance of engagements where the specialist has certain relationships. I think that the final statement should refer to the professional standards of other professions and request that the specialist confirm that he or she has conformed to those standards.

How should the auditor view a report, either regarding litigation or in the role of a specialist, from a law firm if a member of that firm is on the Board of Directors of the client? I would consider this as a relationship that may influence the conclusion reached and accordingly the auditor may need additional evidential matter to support his or her opinion.

Footnote 8 refers to the requirements of SOP 92-4 that "requires" the use of an outside loss reserve specialist for insurance entities' loss reserves. This statement does not appear to change SOP 92-4. The final statement should either revise SOP 92-4, require the use of outside specialists for other functions or justify why this is the only situation that requires an outside specialist.

### **Reasonableness of the Conclusion**

If the appropriateness and reasonableness of the methods and assumptions used and their application are the responsibility of the specialist (paragraph 9), then it follows that the conclusion must also be the responsibility of the specialist. If the auditor is satisfied with the professional reputation of a specialist and has tested the data provided to the specialist, please clarify in the final statement why the auditor is asked to evaluate if the result is unreasonable. If the auditor already has a preconceived notion about what would be reasonable, then the role of the specialist seems less important.

If the final statement retains this reasonableness test, it should comment on how the auditor is to reach this conclusion. This means that the auditor must use some method separate from that of the specialist to make this reasonable versus unreasonable test. Certain data may lend itself to reasonableness testing such as the interest rate used in the pension accrual based on the rate used last year and the general awareness of interest rate changes during the year. However, the reasonableness of the ending pension accrual, environmental clean up cost accrual, and other financial data developed by a specialist may not be susceptible of reasonableness without replicating the detailed calculations of the specialist and concluding as the reasonableness of each element of the calculation. However, the statement says that this is the responsibility of the specialist and not the auditor. This appears to be contradictory.

### **Comparing Specialist Conclusions to Financial Statements**

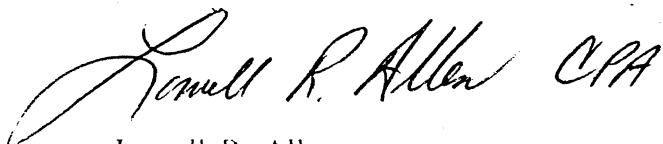
Paragraph 10 - In the case of an actuary's report, the data within the financial statements are likely to have been supplied by the actuary. Accordingly, there will usually be no difference between the specialist's report and the financial statement amounts. Assuming that the actuary has the desired professional reputation, I am assuming that the statement would not require any additional corroborating evidential matter. In the case of an appraiser, management may have used its own judgment and the appraiser's report may either confirm or contradict the values used.

### **Reporting on the use of a Specialist**

Paragraphs 12 and 13 - If a portion of an audit is performed by another audit firm, the auditor has the option of accepting responsibility for the work of the other firm and performing certain procedures, or modifying the auditor's report to indicate that portion audited by the other firm or firms. I fail to see why the auditor is not permitted to make a similar determination regarding portions of the audit where the auditor must rely on the expertise of a specialist. An auditor is not an actuary; therefore, he must accept the work of this specialist in arriving at an overall conclusion about the financial presentation. The auditor is also not an attorney; therefore, the evaluation of the client's exposure to product liability litigation and other litigation is based on the opinion of legal counsel to support or contradict management's presentation. If, as stated in paragraph 9, the reasonableness of the methods and assumptions are the responsibility of the specialist, then I fail to see why the auditor is precluded from communicating to the reader that a portion of the audit process was outside of his or her areas of expertise and that he therefore relied on the expertise of others. Consideration should be given to permitting the auditor's report to be modified when a significant portion of the opinion is based on the work of specialists.

It now appears that the only time that the auditor could name the specialist is if the auditor is giving other than an unqualified opinion or adding an explanatory paragraph. The addition of an explanatory paragraph to an unqualified opinion may become the standard for those auditors wishing to disclose that a significant portion of his report was based on the work of a specialist.

Sincerely,

A handwritten signature in cursive script that reads "Lowell R. Allen CPA". The signature is written in dark ink and is positioned above the typed name.

Lowell R. Allen



July 14, 1993

Auditing Standards Board  
American Institute of Certified Public Accountants  
1211 Avenue of the Americas  
New York, New York 10036-8775

### Using the Work of a Specialist

Ernst & Young supports the efforts of the Auditing Standards Board to revise the guidance contained in Statement on Auditing Standards (SAS) No. 11, "Using the Work of a Specialist." While we believe the exposure draft is an improvement over SAS No. 11, we have the following comments for improving the exposure draft.

#### *Paragraph*

2 and 3 Because these paragraphs only provide limited guidance to auditors for determining when to use the work of a specialist, we believe they may increase the likelihood that auditors will be sued successfully when they have not used specialists, especially in connection with the valuation of clients' real estate and special-purpose inventories. We believe the guidance in these paragraphs should be expanded before the final SAS is issued to describe the types of factors auditors should consider when deciding whether to use a specialist. The decision to use a specialist is affected by such factors as the auditors' experience and expertise in the particular area, the risk of material error in the accounts affected, the significance of the audit area to the financial statements, the client's control environment and control (and other) procedures in the area, and the nature, timing, and extent of the auditors' other procedures performed in the particular area and related areas.

In addition, the expanded guidance should be helpful to the Board in addressing the Quality Control Inquiry Committee's (QCIC) recommendation that auditing standards address auditors' responsibilities for the qualitative aspects of certain inventories. We agree with the QCIC's recommendation and believe the Board should form a task force to research the issue and determine whether the auditing literature provides auditors with the necessary guidance in this area, and if not, to develop that guidance.

4 This paragraph provides guidance to auditors for determining whether the specialist possesses the necessary skill or knowledge in the particular field. We believe this paragraph also should indicate whether, or in what circumstances, auditors need to document their evaluation of the specialist's professional qualifications.

- 9      The third sentence in this paragraphs states, "The auditor should consider whether the specialist's findings support the related representations in the financial statements and, depending on the auditor's assessment of control risk, make appropriate tests of accounting data provided by the client to the specialist." This implies that auditors may not have to test accounting data provided by the client to the specialist if control risk has been assessed at below the maximum. We believe that, if auditors use the work of a specialist, they should be required to test the accounting data provided to the specialist. However, the assessed level of inherent and control risk should affect the extent of those tests of the accounting data.

\* \* \* \* \*

We would be pleased to discuss our comments and recommendations with members of the Auditing Standards Board or its staff.

Sincerely,

*Ernst + Young*

22

# EXPOSURE DRAFT

FILE 4568

## PROPOSED STATEMENT ON AUDITING STANDARDS

### USING THE WORK OF A SPECIALIST

April 7, 1993

Comment date: June 30, 1993

Name and Affiliation: RICHARD D. RYERSON, STATE TECH BOARD

Comments: THE ONLY COMMENT I HAVE RELATES TO "PARAGRAPH 5" CONCERNING THE UNDERSTANDING WITH THE SPECIALIST AS TO THE NATURE OF THE WORK TO BE PERFORMED.

THIS UNDERSTANDING SHOULD BE IN WRITING. IT WILL BE VERY DIFFICULT TO ESTABLISH IN COURT WHAT WAS EXPECTED OF THE SPECIALIST(S) IF THIS IS NOT DONE. WE WOULD BE IDEMISS IF WE DID NOT MENTION THIS IN THE SAS.

FRANKS  
Richard D. Ryerson

#### Instructions for Response Form

This form may be used for comments or suggestions relating to any aspect of the exposure draft that is of concern to you. For convenience, the most significant points have been identified in the summary that accompanies this exposure draft. Return this response form to the address indicated on the reverse side by the comment date.



July 29, 1993

Ms. Jeanne Mebas  
Technical Manager  
Auditing Standards Division  
File 4568  
AICPA  
1211 Avenue of the Americas  
New York, N.Y. 10036-8775

**RE: Exposure Draft - Proposed Statement on Auditing Standards "Using the Work of a Specialist"**

Dear Ms. Mebas:

The Accounting Principles and Auditing Procedures Committee is the senior technical committee of the Massachusetts Society of Certified Public Accountants (MSCPA). The Committee consists of over thirty members who are affiliated with public accounting firms of various sizes from the sole practitioner to the international "big six" firms, as well as members in both industry and academia.

The Committee has reviewed and discussed the exposure draft of the proposed statement of position "Using the Work of a Specialist" dated April 7, 1993, and is in agreement with the proposed new provisions of the standard as well as the proposed revisions of SAS No. 11.

Very truly yours,

P. Daniel Hurley, Jr. Chairman  
Accounting Principles of Auditing  
Procedures Committee of the MSCPA

BJB:slm