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Comptroller General
of the United States

United States Government Accountability Office
Washington, DC 20548

September 15, 2006

Mr. John Fogarty, Chair
Auditing Standards Board
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036-8775

Subject: *Proposed Statement on Standards for Attestation Engagements (SSAE) –
SSAE Hierarchy*

This letter provides the U.S. Government Accountability Office's (GAO) comments on the Auditing Standards Board's (ASB) July 25, 2006, exposure draft of a proposed Statement on Standards for Attestation Engagements (SSAE) entitled *SSAE Hierarchy*.

We support this proposed standard, which identifies and clarifies the authority of attest publications issued by the AICPA and others and conforms the AICPA attestation standards to SSAE No. 13, *Defining Professional Requirements in Statements on Standards for Attestation Engagements*.

We do, however, encourage the ASB to revise the proposed fourth standard of reporting to acknowledge that with current technology and increased demand for transparency, attestation reports have the potential for wide distribution, regardless of any restrictions stated in the report. Also, for attestation engagements performed in accordance with generally accepted government auditing standards, generally reports are available for public inspection and likely to be posted on public Web sites. Therefore, instead of attempting to state that use of the report is restricted, it would be clearer and more realistic for auditors to alert potential readers when the report is intended solely for the use of specified parties and may not be appropriate for users who are not knowledgeable about the nature and scope of the engagement.

We recommend revising the proposed fourth standard of reporting as follows:

“The practitioner must ~~indicate state~~ in the report, **under any of the following circumstances**, that the use of the report is **intended for restricted to** specified

parties and may not be appropriate for other users. ~~under the following circumstances:~~

- When the criteria used to evaluate the subject matter are determined by the practitioner to be appropriate only for a limited number of parties who either participated in their establishment or can be presumed to have an adequate understanding of the criteria.
- When the criteria used to evaluate the subject matter are available only to specified parties.
- When reporting on subject matter and a written assertion has not been provided by the responsible party.
- When the report is on an attest engagement to apply agreed-upon procedures of the subject matter.”

In order to properly align related standards and guidance with the above proposed changes to the fourth standard of reporting, we suggest also making conforming changes to AT 101.79, either in connection with the SSAE Hierarchy revisions or as a separate project. Our proposed changes to AT 101.79 are as follows:

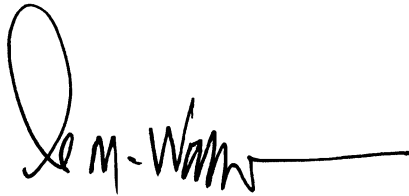
~~A number of circumstances may result in a need for practitioners in their reports to alert readers that use of the report is intended for specified parties and that its use may not be appropriate for other users. These circumstances may involve the need for restriction on the use of a report may result from a number of circumstances, including the intended purpose of the attestation report, the criteria used in preparation of the subject matter, the extent to which the procedures performed are known or understood, and the potential for the report to be misunderstood when taken out of the context in which it was intended to be used. Under such circumstances, a practitioner should consider informing his or her client that the attestation restricted-use report is intended for specified parties and its use may not be appropriate for other users.¹⁵ s are not intended for distribution to nonspecified parties, regardless of whether they are included in a document containing a separate general-use report.¹⁵⁻¹⁶ However, a practitioner is not responsible for controlling a client's distribution of restricted-use reports. Accordingly, a restricted-use report should alert readers to the restriction on the use of the report by indicating that the report is not intended to be and should not be used by anyone other than the specified parties.~~

15 In some cases, ~~restricted-use attestation~~ reports filed with regulatory agencies are required by law or regulation to be made available to the public as a matter of public record. Also, a regulatory agency as part of its oversight responsibility for an entity may require access to ~~restricted-use~~ reports in which they are not named as a specified party.

16 ~~This section does not preclude the practitioner, in connection with establishing the terms of the engagement, from reaching an understanding with the client that the intended use of the report will be restricted, and from obtaining the client's agreement that the client and the specified parties will not distribute the report to parties other than those identified in the report.~~

We thank you for considering our comments on this important proposed standard as we work together on issues of mutual interest to the accountability profession.

Sincerely yours,

A handwritten signature in black ink, appearing to read "D M Walker", with a long horizontal line extending to the right.

David M. Walker
Comptroller General
of the United States

Enclosure

cc:

The Honorable Christopher Cox, Chairman
Securities and Exchange Commission

The Honorable Mark W. Olson, Chairman
Public Company Accounting Oversight Board