



National Association of State Boards of Accountancy

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Accounting and Review Services Committee
American Institute of Certified Public Accountants
1345 Avenue of the Americas
New York, NY 10105

Via e-mail: commentletters@aicpa-cima.com

Re: Exposure Draft: Proposed Statement on Standards for Accounting and Review Services, *Applicability of AR-C Section 70 to Financial Statements Prepared as Part of a Consulting Services Engagement*

Dear Members and Staff of the AICPA Accounting and Review Services Committee (ARSC):

The National Association of State Boards of Accountancy (NASBA) appreciates the opportunity to comment on the above-referenced Exposure Draft, *Applicability of AR-C Section 70 to Financial Statements Prepared as Part of a Consulting Services Engagement* (the Exposure Draft). NASBA's mission is to enhance the effectiveness and advance the common interests of State Boards of Accountancy (State Boards) that regulate all Certified Public Accountants (CPAs) and their firms in the United States and its territories, which includes all audit, attest and other services provided by CPAs. State Boards are charged by law with protecting the public.

In furtherance of that objective, NASBA offers the following comments on the specific requests for comment as presented in the explanatory memorandum to the Exposure Draft.

Comments on Specific Questions

1. Do respondents believe that it is in the public interest to explicitly exclude financial statements prepared as part of a consulting services agreement performed in accordance with CS section 100 from those engagements for which AR-C section 70 is required to be applied? Please provide your reasons for your position.

NASBA is supportive of the Exposure Draft to explicitly exclude financial statements prepared as part of a consulting services agreement performed in accordance with the Statement on Standards for Consulting Services (CS) section 100 from those engagements for which AR-C section 70 is required to be applied, assuming that the concerns enumerated in our response to Question 3 are satisfactorily addressed.

We agree that the general standards of the profession included in CS section 100 of professional competence, due professional care, planning and supervision, and sufficient relevant data are appropriate safeguards regarding the client advisory services (CAS) practitioner’s association with the financial statements.

2. Do respondents believe that the proposed effective date of the SSARS is appropriate? If not, why not?

NASBA believes that the proposed effective date of the SSARS is appropriate.

3. Do respondents believe that the proposed revisions to paragraph .01 and the introduction of new application paragraph .A4 are appropriate? If not, respondents are asked to state their reasons.

NASBA believes that the proposed revisions to paragraph .01 are appropriate.

Proposed application paragraph .A4 explains how consulting services differ from the CPA’s function of attesting to the assertions of other parties and also states that, generally, the work is performed only for the use and benefit of the client. While the proposed application guidance is helpful, NASBA is concerned that there is more ambiguity in real life scenarios that make it more difficult for those performing client advisory services to distinguish when there is a potential crossover to a preparation engagement (recognizing that the ARSC has recently provided additional resources, such as the Applying AR-C Section 70 decision tree, to assist CPAs).

Additionally, while the intent that financial statements prepared under an agreement in accordance with CS section 100 are for the “use and benefit of the client” (i.e., internal use), experience indicates that those financial statements inevitably make their way to the public. NASBA is concerned about the potential user expectation gap and that, as a result, unwarranted reliance may be placed on the financial statements solely due to the CAS practitioner’s involvement. We believe that further steps should be taken to better protect the public to avoid misinterpretation in those circumstances. We further believe that there is an opportunity for the CS standards to mirror the AR-C section 70 disclosures related to the financial statements. AR-C section 70 requires a statement indicating, at a minimum, that “no assurance is provided” on the financial statements. Perhaps the CS standards can similarly require inclusion of a statement that the financial statements are for internal use only as well as ensure that the CPA’s or CPA firm’s name and logo are not included with the financial statements.

We recognize that the CS standards are not within the scope of the ARSC; however, the ARSC could pause on moving forward with this Exposure Draft until the appropriate AICPA technical committee addresses the issue with the CS standards.

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We appreciate the opportunity to comment on the Exposure Draft.

Very truly yours,

Maria E. Caldwell

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