



National Association of State Boards of Accountancy

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**Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, N.W.
Washington, DC 20006-2803**

Via E-mail to comments@pcaobus.org

Re: PCAOB Rulemaking Docket Matter No. 009
PCAOB Release No. 2003-018, October 7, 2003
(Proposed Rule Regarding Certain Terms Used in Auditing and Related Professional Practice Standards)

Dear Board Members:

We appreciate the opportunity to offer comment to the Public Company Accounting Oversight Board (the "Board" or the "PCAOB") on its proposed rule regarding certain terms used in auditing and related professional practice standards. The Board is considering the proposed rule for adoption and submission to the Securities and Exchange Commission (the "Commission" or the "SEC") pursuant to the Sarbanes-Oxley Act of 2002 (the "Act").

The National Association of State Boards of Accountancy (NASBA) is the national organization of the accountancy regulators of all states and other U.S. jurisdictions (collectively, the "states"). NASBA's member boards (the "State Boards") are government agencies composed of both licensees and non-licensee public members. As the only authorities empowered to grant or revoke licenses of certified public accountants (CPAs), the State Boards understand the delicate balance between the need for swift discipline and the necessity of procedural fairness.

NASBA's ongoing primary focus is upon rules and policies relating to enforcement (including the collection of information that will facilitate enforcement in appropriate cases), with special attention to fostering federal/state cooperation. We believe that close cooperation and a working partnership of the PCAOB and the SEC with NASBA and the State Boards will result in more effective regulatory efforts than otherwise would be achieved. We are pleased that the Commission Orders approving PCAOB rules for a registration system and PCAOB rules relating to compliance with auditing and related professional practice standards and advisory groups encouraged "continued close cooperation" between the PCAOB and state regulatory bodies.

I. General Comments Regarding Proposed Rule.

We applaud the decision to propose descriptions of the meanings of certain terms, and thus of the differing levels of professional obligations, used in Auditing and Related Professional Practice Standards. We urge adoption of the rule. The rule will result in greater clarity and uniformity of application of the various

Auditing and Related Professional Practice Standards. This should promote compliance with the standards. It also will provide greater uniformity (and thus fairness) in evaluating compliance with the standards – and thus in the basis of disciplinary action when appropriate (whether by the PCAOB or State Boards or both).

Accordingly, this proposed rule advances NASBA’s previously expressed view that new regulations should promote vertical clarity so that State Boards can easily translate PCAOB and SEC case results into swift, equitable and defensible disciplinary actions against licensed audit firms and individual licensees (or unlicensed firms or accountants for whom a license is required) implicated in violations. In so doing, the PCAOB and the SEC will be able to place greater practical reliance upon an effectively administered State Board licensing and discipline function that puts offending licensees at risk of losing not just their SEC clients but their certificates and their livelihoods as CPAs.

II. Comments on Selected Provision of the Proposed Rule.

Proposed Rule 3101. Certain Terms Used in Auditing and Related Professional Practice Standards – Section 3101(a)(2).

We agree generally with the proposed provision that deviations from a presumptively mandatory obligation be supported by “verifiable, objective, and documented evidence”. The documentation standard is important both to promote a proper discipline of thought and to provide a uniform basis for evaluating compliance with the standard.

Conclusion.

NASBA appreciates the opportunity to provide these comments. Should you have questions about our thoughts on the proposed rule or other matters, please contact us. We look forward to ongoing communication and cooperation with the PCAOB and the SEC.

Sincerely,



David A. Vaudt, CPA
Chair



David A. Costello, CPA
President & CEO