From: Randi Kraus [rkraus@spencemarston.com]
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To: Comments
Subject: Docket No. 001
Categories: Docket 001

The purpose of this letter is to comment on the proposed registration rules for CPA firms. We are proposing that the definition of which CPA firms must register be expanded to clarify the registration requirement for auditors who are not the principal auditors of a publicly held company but provide services, including auditing entities in which the company has invested. We have three issues which are more fully described below:

1. If there are numerous other auditors involved in the audit, do the registration requirements only apply to those other auditors who individually provide more than the specified level of service? Or is any aggregation required if the other auditors in total provide more than 20% of the audits?

2. In the case of a partnership whose units were offered in series to investors (with each series having different investors), would the material participation rules apply to each of the series individually or to the partnership as a whole? Each series is presented individually in the financial statements and is referenced individually in the audit report.

3. If the other auditor is not a registered CPA firm, can a registered firm rely on any of the workpapers prepared by the other auditor when no reliance on the audit report is permitted?

We are the principal auditor of several partnerships (the upper tier) that invest in partnerships that own low income housing projects generating tax credits (the lower tier). The upper tier partnerships are considered to be publicly held due to the number of partners. However, the units in these partnerships are not actively traded on any exchange or market. The investors look solely to the tax credits that are passed through to them on their Schedule K-1.

Many of the lower tier partnerships are audited. As is common in this industry, we rely on the lower tier auditors and refer to them in our audit report. Generally, there is no one auditor that audits more than 20% of the lower tier partnerships in number or dollars. However, in aggregate, the lower tier auditors do audit more than 20% of the partnerships assets. Also, in one of the partnerships that was offered to the investors in series, there may be a series that has one lower tier auditor that audits more than 20% of the lower tier partnerships for that series but not for the partnership as a whole. Our audit report references each series individually.

Due to the nature and location of the low income housing projects in which the partnerships invest, many of the lower tier auditors are generally small, local firms in rural areas or small towns. These firms are not planning to register. As the principal auditor, we need to determine if we can rely on the audit reports from unregistered auditors and, if not, can we use any of the workpapers prepared by these firms.

Thank you for considering this matter.

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