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January 5, 2004

Thomas Ray  
Deputy Chief Auditor  
Public Company Accounting Oversight Board  
1666 K Street, N.W.  
Washington, DC 20006

Dear Mr. Ray:

On behalf of the Tennessee Department of Audit we would like to thank you for the opportunity to comment on the Exposure Draft (ED) of the *Proposed Auditing Standard on Audit Documentation and Proposed Amendment to Interim Auditing Standards*.

We generally support the proposed standard and amendments included in the exposure draft. The increased specificity in the proposed standard will be beneficial in providing a better framework to exercise professional judgment in determining the nature, timing, and extent of audit documentation. The proposed standard establishes minimum levels of acceptable documentation that should provide for more uniform evidence of audit work among practitioners. We support how closely the proposed standard parallels *Government Auditing Standards*, particularly in ¶5.

While we generally support the ED, we have identified various suggestions for improvement:

- 1) In the last sentence of ¶2 (“Audit documentation also may be referred to as *work papers* or *working papers*.”), we suggest that the Board consider rewording the sentence to convey the idea that “audit documentation was formerly referred to as work papers or working papers.” Audit documentation conveys other types of media could be used (e.g., electronic documentation, microfiche, etc.) and should be used in establishing a new framework.
- 2) For ¶3c, consider rewording the last phrase to “... and whether there is adequate **and sufficient** evidential support for those conclusions.”

- 3) In the last sentence of ¶6, consider providing examples of what “persuasive other evidence” represents. Also, how can this evidence be persuasive for providing sufficient support for the conclusions reached if it is not part of written audit documentation? The Board needs to clarify how this type of evidence could rebut the presumption that procedures were not applied, evidence was not obtained, and the conclusions reached were suitably supported when not part of audit documentation. Also, consider replacing “suitably” with “adequately.”
- 4) In ¶9c and footnote 1 (page A1-7), the Board correctly indicates that materiality includes both quantitative and qualitative considerations; however, because materiality is mentioned much sooner (i.e., ¶7b) in the standard, we suggest that the Board first point this out in ¶7.

We appreciate the efforts of the PCAOB and the opportunity to provide our comments. Should you have questions or need clarification on any of our comments, please contact Gerry Boaz or me at (615) 741-3697.

Sincerely,

Arthur A. Hayes, Director  
Division of State Audit