



National Association of State Boards of Accountancy

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January 15, 2008

Office of the Secretary
Public Company Accounting Oversight Board
1666 K Street, NW
Washington, DC 20006-2803

Via e-mail to: comments@pcaobus.org

Re: PCAOB Release No. 2007-011

Dear Board Members:

We appreciate the opportunity to offer comment to the Public Company Accounting Oversight Board (“Board”) on the Proposed Policy Statement: Guidance Regarding Implementation of PCAOB Rule 4012 [Inspections of Foreign Registered Public Accounting Firms] (“Proposal”). The National Association of State Boards of Accountancy’s (NASBA’s) primary goal is to increase the effectiveness of U.S. state boards of accountancy. In furtherance of that goal, our Professional and Regulatory Response Committee (“Committee”) offers the following comments on the proposed rules:

The Board has invited comments on the proposal to increase its level of reliance on non-U.S. accounting firms’ oversight programs, where possible, and on the proposed criteria to be used by the PCAOB to evaluate whether or not full reliance could be placed on a particular program. The Proposal would permit the PCAOB to place full reliance on a non-U.S. oversight entity to perform the inspections, or investigations, of foreign registered public accounting firms once that entity’s program meets the Board’s criteria for inspections.

The Committee believes that the Proposal sets forth a sound approach to the question of how to efficiently perform inspections, or investigations, of foreign public accounting firms that audit U.S. issuers and protect the public interest. The Committee also believes that the criteria outlined for determining the ability to rely on a particular non-U.S. oversight entity are appropriate.

In Section III, PCAOB Cross-Border Cooperation Policy Guidance, C - Essential Criteria for Full Reliance (footnote 12), the PCAOB notes that bilateral agreements with non-U.S. oversight entities will include provisions for joint inspections before full reliance can take place as well as continuing observations [through joint inspections]. The Committee believes that continuous review is essential to the proposed program and that this point should be given even greater emphasis in the final release. The Committee also believes that the PCAOB should consider some comment in the final release regarding the possibility of disengagement in the event of a failure on the part of a non-U.S. oversight entity including the actions that the Board would take to protect investors.

The Committee believes that the Essential Criteria in the final release should include a comment on the need for technical training and proficiency of inspectors in understanding: (a) the PCAOB's standards, (b) the Securities and Exchange Commission's independence standards, and (c) U.S. Generally Accepted Accounting Principles when applicable.

In addition, the Committee recommends that Essential Criteria 7 (on page A1-12 of the Proposal) include in the final release a statement on whether or not full reliance on a particular non-U.S. oversight entity will be dependent, in part, on the ability to access the same information that the PCAOB's inspectors can access when conducting inspections or investigations in the United States.

We hope these comments will assist the Board in its work.

Very truly yours,



Samuel K. Cotterell, CPA
NASBA Chair



David A. Costello, CPA
NASBA President & CEO