



June 18, 2025

AICPA Auditing Standards Board  
commentletters@aicpa-cima.com

Re: Proposed Statement on Auditing Standards - *External Confirmations*

Dear Committee Members:

The Audit and Assurance Services Committee of the Illinois CPA Society (“Committee” or “we”) appreciates the opportunity to respond to the Auditing Standards Board’s Proposed Statement on Auditing Standards - *External Confirmations*, dated February 27, 2025. The organization and operating procedures of the Committee are reflected in Appendix A attached to this letter. These comments and recommendations represent the position of the Audit & Assurance Services Committee of the Illinois CPA Society rather than any members of the Committee, the organizations with which such members are associated, or the ICPAS Board.

The Committee represents a diverse group of auditors with respect to firm demographic and role, including members of academia and the consulting profession. As such, we feel that we bring a unique perspective to respond to this proposal and appreciate your consideration of our thoughts herein.

#### **GENERAL COMMENTS:**

As a Committee, we generally agree with the efforts made by the Auditing Standards Board (ASB or Board) and believe the proposed revisions to generally accepted auditing standards (GAAS) based largely on material in the Public Company Accounting Oversight Board’s (PCAOB) AS 2310, *The Auditor’s Use of Confirmation* (AS 2310) and other applicable updates, are examples of the ASB’s continued efforts to revisit and, as appropriate, modernize existing auditing standards as a means of driving audit quality for audits of financial statements of nonissuers and drive consistency amongst the various audit standard-setting bodies. We believe the proposal’s scope, objective, and guidance are generally clear and reflect an appropriate perspective of both current practice and industry trends. We also feel that the proposed standard is sufficiently responsive to recent changes in audit technology and incorporates certain practical enhancements such as recognizing the use of intermediaries and providing additional guidance in those situations.

Although we believe the proposed standard is appropriate and explains the use of a principles-based approach in planning and utilizing audit confirmations as substantive audit evidence, we identified areas that could be revised or clarified in order to achieve the Board’s desired objectives, particularly with respect to the presumptively mandatory requirement to confirm cash. While confirming cash is common in current practice for many auditors, we believe creating a requirement to confirm may not allow the auditor to always select the most effective response to address the assessed risk and obtain sufficient appropriate audit evidence and is not consistent with the principles-based approach that the proposed standard strives to achieve. Our direct response is limited to addressing the following questions.

#### **REQUEST FOR COMMENTS:**

**Question 1: Do respondents believe that the proposed effective date is appropriate and provides adequate time for implementation? If not, respondents are asked to state their reasons and an alternate effective date.**



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Yes. The Committee believes the proposed effective date is appropriate and provides adequate time for firms to sufficiently prepare for implementation.

**Question 2: Do respondents agree with adding a presumptively mandatory requirement to confirm cash as shown in proposed paragraph .21 of AU-C section 330? If not, respondents are asked to state their reasons.**

No. The Committee questions the appropriateness of a presumptively mandatory requirement to confirm cash and cash equivalents as we believe the auditing standards function best as principles-based performance standards that are audit methodology-neutral. The Committee acknowledges that while confirmations are a customary procedure in many methodologies and represent a persuasive form of audit evidence, there are instances whereby an auditor may be able to obtain sufficient appropriate audit evidence (as defined by the audit standards) over the accuracy and existence of cash and cash equivalents accounts without the need for an external confirmation, especially when the assessed risk of material misstatement at the relevant assertion level is low. An auditor may, for example, determine as part of risk assessment that they do not need to send an external confirmation and instead could obtain sufficient appropriate audit evidence from observing individuals from the entity, who have appropriate access to a financial institution's online portal, login to access or download the bank statements for the requested date or period and immediately send them to the auditor. Alternatively, auditors, using a management-provided read-only access login to a financial institution's online portal, may be able to download bank statements themselves. Under the proposed presumptively mandatory requirement, these procedures would not be an acceptable approach, and instead the auditor could only perform this procedure as an alternative procedure if the auditor did not receive a confirmation response. We believe that, depending on the circumstances of the engagement, such alternatives described above may provide sufficient appropriate audit evidence that is just as effective as an external confirmation request, would support scalability, and would be in line with the principles-based approach often referred to throughout the proposal's materials.

The Committee believes the auditor should determine the nature, timing, and extent of audit procedures, including confirmations, necessary to obtain sufficient appropriate audit evidence. Simply stated, prescriptive requirements to confirm select financial statement accounts may detract from audit quality by unnecessarily focusing the auditor on a rules-based, check-the-box audit approach designed to achieve compliance with a standard as opposed to designing a risk-based audit and obtaining sufficient appropriate audit evidence.

Additionally, the Committee appreciates the way the proposed standard incorporates feedback on the PCAOB standard that may have been interpreted that all cash and cash equivalent accounts should be confirmed in all instances. We believe that this is in line with a more principles-based standard and acknowledge the fact that not all cash and cash equivalent accounts are equivalent in risk and significance, and therefore audit responses may vary.

**Question 3: Do respondents believe that the exceptions provided in proposed paragraph .21 of AU-C section 330 are appropriate and understandable?**

While the Committee believes that the exceptions provided in proposed paragraph .21 are understandable, we believe it would be more appropriate to harmonize the exceptions to confirming cash and cash equivalents and the exceptions to confirming accounts receivable. Many similar risks apply to these financial statement areas, which would support similar criteria being used to determine their effectiveness as substantive audit responses. Similarly, we believe that consistent criteria would support a more understandable standard that could be more easily implemented and applied. As such, we would propose the following language to replace both paragraphs .20 and .21 in the proposed standard:



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**.20** The auditor should use external confirmation procedures for cash and cash equivalents and accounts receivable in response to the assessed risks of material misstatement, except when one or more of the following is applicable: (Ref: par. .A57)

- a.* The overall account balance is immaterial (both qualitatively and quantitatively).
- b.* External confirmation procedures would be ineffective. (Ref: par. .A58)
- c.* The auditor's assessed risk of material misstatement at the relevant assertion level is low, and the other planned substantive procedures address the assessed risk. In many situations, the use of external confirmation procedures and the perform of other substantive procedures are necessary to reduce the assessed risk of material misstatement to an acceptably low level.
- d.* External confirmation procedures are prohibited by law or regulation, or
- e.* The auditor has determined that the confirming party will not respond to confirmation requests as a matter of policy or practice.

Overall, the Committee believes the harmonization is beneficial to considerations of both accounts receivable and cash and cash equivalents, as many of the factors listed in the proposed standard for exceptions to confirmation could apply to both types of accounts. For instance, we have seen situations where accounts receivable confirming parties, as a matter of policy or practice, do not respond to auditor requests, and thus question why in the proposed standard this is limited to cash and cash equivalents. Similarly, we have also noted instances in practice where external confirmation procedures for cash and cash equivalent accounts have been ineffective. Examples of ineffective cash confirmations include low response rates to previous requests, confirming parties responding with the balance as of a different date (e.g., month-end instead of the period-end or as of a different year), providing rounded amounts or not responding to requests for information about restrictions/compensating balance requirements. We do not believe that ineffective confirmation requests are limited to accounts receivable and thereby propose the harmonization referenced above. The Committee would also propose conforming edits to the proposed language within AU-C section 505 paragraph .03.

**Question 4: Do respondents believe that there are other circumstances in which the auditor may be unable to or should not be required to confirm cash?**

Yes. The Committee believes when the auditor's assessed risk of material misstatement at the relevant assertion level is low and other planned substantive procedures address the risk, the auditor should not be required to confirm cash and cash equivalents. Refer to our response to Questions 2 and 3 above for further discussion.

**Question 5: Do respondents agree with adding the requirement to document the basis for any determination not to use external confirmation procedures for cash in accordance with proposed paragraph .21? If not, respondents are asked to state their reasons.**

Yes. If presumptively required to confirm cash and cash equivalents, the Committee believes it is appropriate for the auditor to include documentation for the determination not to perform external confirmation procedures.

**Question 9: Do respondents believe that retaining the concept that direct access to information held by a confirming party is a form of confirmation and including that language in the proposed definition of external confirmation procedures is appropriate? If not, respondents are asked to state their reasons.**

Yes. The Committee agrees with the Board's retention of the concept that direct access to information held by a confirming party is an appropriate form of confirmation subject to auditor consideration of the relevance and reliability of such direct access in accordance with Section 500. Although this is a divergence from the



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PCAOB's new confirmation standard, we continue to believe that the notion of direct access as a confirmation procedure is relatively common for nonissuers in certain industries and is an example of ASB's commitment to modernizing standards for technological enhancements. Removing direct access as a form of confirmation would ultimately result in unintended consequences for those audits. Similarly, we support the Board's inclusion of direct access within the proposed external confirmation response definition in order to clarify this notion.

**Question 10: Do respondents believe that the proposed requirement in paragraph .11, proposed revisions to renumbered paragraph .A22 (formerly paragraph .A14), and the introduction of new paragraphs .A15–.A18 are appropriate? If not, respondents are asked to state their reasons.**

Yes. The Committee agrees with the requirement to evaluate the controls when using an intermediary, consistent with the principles of SAS 145. If the controls are not properly designed and/or operating effectively, the Committee agrees that alternative testing procedures should be performed to substantiate the balances that were to be confirmed.

As described in paragraph .A17, the Committee agrees that the auditor may perform procedures to assess whether the intermediary's controls addressing the risk of interception and alteration are effectively designed and operational at an interim date.

To create a more standardized practice, the Committee recommends adding clarifications and aligning the requirements of the proposed standard with concepts included within AU-C 402, *Use of Service Organizations*. As an additional enhancement to both standards, we recommend that the allowable time period be clarified, which includes the time elapsed between the procedures and the period during which the intermediary facilitates direct electronic transmission of confirmation requests and external confirmation responses. While AU-C 402 does not currently define a maximum allowable gap, industry practice generally accepts a bridge letter covering up to 3 months as reasonable. AU-C 402 relies on auditor judgment to determine whether the procedures performed provide sufficient audit evidence, but aligning the standards and clarifying the elapsed period would reduce variability in practice.

Additionally, the Committee suggests clarifying the acceptable validation methods for respondents, as described in paragraph .A22, if the System and Organization Controls (SOC) report does not sufficiently cover respondent validation or if a SOC report is not available. The Committee also believes that the proposed update should include more context about the need for the auditor to understand the respondent's role within an organization, including their right to respond and access relevant information to provide a valid, quality, appropriate response to the confirmation request to satisfy alternative procedures.

**Question 11: Do respondents believe that the proposed revisions in paragraphs .A1–.A2 are appropriate? If not, respondents are asked to state their reasons.**

The Committee supports the Board's intention to clarify the concept of direct access in the proposed revisions in paragraphs .A1–.A2. The proposed revisions provide auditors with a distinction between access provided directly to the auditor by management and access provided directly to the auditor by the confirming party. We believe the distinction of who is providing access to the auditor is an important nuance to clarify what may be a common misconception by auditors. Particularly, we are aligned with the proposed edit in paragraph .A2 that specifies that when management provides access, this is not considered direct access and instead considered an alternative procedure. However, the Committee noted that the language "provided by" and "held by" a third party is used inconsistently throughout the proposed standard, which may create confusion. If the distinction between direct access and alternative procedures is based on who is providing the access, then we propose using "provided by" consistently throughout the proposed standard.



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Additionally, we believe that the application material may be further enhanced with additional clarification on what constitutes direct access in examples that are more nuanced. In certain situations, the client may act as a middleman between the confirming party and the auditor by providing temporary login information (for which the auditor would then later create their own credentials). Since the login to the confirming party website is uniquely the auditor's, it is not clear based on the proposed standard whether this is considered direct access since the temporary login information was provided by the client initially. Further, the concept of external confirmation and direct access tends to be more complex in certain industries, such as when a registered investment advisor is not the legal account holder and has no contractual relationship with the qualified custodian. The direct access or login information may go through several parties in order to be provided to the auditor. We do not believe the language is sufficiently clear on what the Board believes constitutes direct access in these circumstances. We believe it is not the Board's intent to change common practice, so we encourage further discussion in the application material to avoid practical application challenges in these situations.

**Question 12: Do respondents believe that the proposed revisions to renumbered paragraph .A8 (formerly paragraph .A3) and addition of paragraph .A9 are appropriate? If not, respondents are asked to state their reasons.**

The Committee suggests clarifying the explanation of risk response in paragraph .A9. If the auditor is unable to identify a confirming party that would provide a relevant and reliable response, then the audit response would be to increase the assessment of relevant risks of material misstatement. We believe clarifying the direction of the risk assessment response would be appropriate given the context presented in paragraph .A9.

**Question 16: Do respondents agree with the decision to retain the exception such that the auditor is not required to confirm accounts receivable when the overall account balance for accounts receivable is immaterial? If not, respondents are asked to state their reasons.**

Yes. The Committee agrees with the decision to retain the exception to not require confirmation of immaterial accounts receivable. As noted in our response to Questions 2 and 3, we believe the exceptions to confirm cash and cash equivalents and accounts receivable should be harmonized.

The Committee appreciates the opportunity to express its opinion on this matter. We would be pleased to discuss our comments in greater detail if requested.

Sincerely,

**Amber Sarb, CPA**

Chair, Audit and Assurance Services Committee

**Jon Roberts, CPA**

Vice Chair, Audit and Assurance Services Committee



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**APPENDIX A**  
**AUDIT AND ASSURANCE SERVICES COMMITTEE**  
**ORGANIZATION AND OPERATING PROCEDURES**  
**2025 – 2026**

The Audit and Assurance Services Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members. The Committee seeks representation from members within industry, education, and public practice. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of audit and attestation standards. The Committee's comments reflect solely the views of the Committee, and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to study and discuss fully exposure documents proposing additions to or revisions of audit and attestation standards. The Subcommittee develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

**Public Accounting Firms:**

**National:**

Phillip Austin, CPA	EisnerAmper, LLP
Cody Bowman, CPA	CBIZ CPAs P.C.
Scott Cosentine, CPA	Ashland Partners & Company LLP
Timothy Delany, CPA	RSM US LLP
Erik De Vries, CPA	CohnReznick
Kara Fahrenbach, CPA	Plante Moran, PLLC
Jennifer Goettler, CPA	Sikich CPA LLC
Emily Hoaglund, CPA	KPMG LLP
Kelly McCabe, CPA	Grant Thornton LLP
Alek Michali, CPA	Baker Tilly US, LLP
Michael Potoczak, CPA	CBIZ CPAs P.C.
Jon Roberts, CPA	BDO USA, P.C.
Amber Sarb, CPA	RSM US LLP

**Regional:**

Elda Arriola, CPA	Roth & Co., LLP
Andy Kamphuis, CPA	Vrakas CPAs + Advisors
Genevra D. Knight, CPA	Porte Brown LLC
Matthew Osiol, CPA	Topel Forman LLC
Michael Ploskonka, CPA	Selden Fox, Ltd.

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Lorena C. Engelman, CPA	CJBS LLC
Matthew Luckenbill, CPA	Miller, Cooper & Co., Ltd.
Carmen F. Mugnolo, CPA	Mugnolo & Associates, Ltd.
Jodi Seelye, CPA	PKF Mueller, LLP
Mary Laidman, CPA	

**Industry/Consulting:**

Sean Kruskol, CPA	Cornerstone Research
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**Educators:**

Meghann Cefaratti, PhD	Northern Illinois University
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**Staff Representative:**

Heather Lindquist, CPA	Illinois CPA Society
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