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Washington, DC 20548

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Mr. James Brackens
Vice President, Ethics and Practice Quality
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York, NY 10036

AICPA Discussion Paper: Enhancing Audit Quality - Plans and Perspectives for the U.S. CPA Profession

Dear Mr. Brackens,

This letter provides the U.S. Government Accountability Office's comments on the American Institute of Certified Public Accountants' (AICPA) discussion paper on enhancing audit quality.

We support the AICPA's initiative to help practitioners perform high-quality audits in a complex and continuously evolving business environment. We agree that a mixture of both short-term and long-term solutions will be necessary to resolve the issues identified during the performance of financial statement audits. We understand the reasoning for the two-phased approach in the discussion paper, and the need for the AICPA to begin taking steps forward to help practitioners address quality issues.

But we believe that before the AICPA allocates resources toward the proposals of the initiative, the AICPA should consider:

- root cause analysis and
- additive requirements for specialized audits.

Root Cause Analysis:

We believe it would be beneficial to perform a thorough root cause analysis of quality issues in performing financial statement audits. Identifying the cause of problems can assist the AICPA in taking constructive action to help practitioners in performing high quality audits of financial statements. Because problems can result from multiple causes, any action the AICPA takes to help can be more effective if the AICPA links the issues identified to the factor or factors that are causing these issues. It is possible that more than one potential cause for quality concerns exists. The AICPA should seek to identify the underlying root cause, which is the most likely reason these quality issues are occurring.

By compiling a list of issues identified by both peer reviewers and outside reviewers from other entities, the AICPA could develop an accurate understanding of the nature and frequency of the issues. Through analysis of the identified issues, the AICPA may be able to determine if there is a common point -- a root cause -- which connects the issues. By identifying the root cause of quality issues, the AICPA will be more likely to correctly allocate resources in helping practitioners resolve these issues. It is also important that the AICPA share the results of the

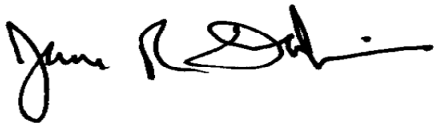
root cause analysis throughout the organization to aid in discussing and resolving the issues identified.

Additive Requirements for Specialized Audits:

A second factor to consider is the impact on quality of additive requirements for specialized audits such as governmental audits. As practitioners engage in audits of specific industries that they have not previously audited, or audited recently, issues with quality may arise. Based on the results of the root cause analysis, the AICPA may be able to identify those specialized audits that have a significant incidence of quality issues. Once areas have been identified, the AICPA can more effectively analyze these issues to determine the root cause, and propose recommendations that help practitioners address these issues to increase the quality of the audits.

We thank you for considering our comments on this important issue and we would be pleased to clarify our responses to the discussion paper.

Sincerely yours,

A handwritten signature in black ink, appearing to read "James R. Dalkin". The signature is fluid and cursive, with a long horizontal stroke extending to the right.

James R. Dalkin
Director
Financial Management and Assurance