



American Institute of CPAs  
1211 Avenue of the Americas  
New York, NY 10036-8775

November 17, 2011

Ms. Elizabeth M. Murphy  
Secretary  
Securities and Exchange Commission  
100 F Street, NE  
Washington, DC 20549-1090

***Via Electronic Mail***

**Re: File Number S7-40-10, Conflict Minerals**

Dear Ms. Murphy:

The American Institute of Certified Public Accountants (AICPA) would like to provide additional information as a supplement to our previous letter dated March 1, 2011. This additional information is intended to clarify certain views assuming that an audit of the Conflict Mineral Report (the Report) would be conducted under the performance auditing standards contained in *Government Auditing Standards*.

In our previous letter, we identified several possible audit objectives including one that we believed would be the least costly of the five alternatives discussed. It read:

An audit of whether management's description of procedures and controls performed in their due diligence process are fairly described in the Report. This audit objective would provide users with an opinion as to the procedures and controls management had in place without providing an opinion as to the appropriateness (design effectiveness) of their due diligence process.

While this objective was written with the GAO's standards for attestation engagements for CPAs in mind, we believe that a similar audit objective could be achieved using the GAO's performance auditing standards. A performance audit could be performed either by CPA or non-CPA service providers, assuming they meet the general standards of *Government Auditing Standards*. Under the performance auditing standards, a conflict minerals audit could provide users with findings and conclusions as to the procedures and controls management has in place rather than providing an opinion as to the effectiveness of those procedures and controls. Under the performance audit approach, the auditor could determine that the procedures and controls that are described in the Report are in fact performed but would not provide comment on whether those procedures and controls are complete, appropriate (i.e., based on suitable criteria) or effective in supporting management's conclusions concerning conflict minerals.

We understand that various scope alternatives are being considered by the SEC and that one of the goals is for the conflict minerals audit to have a relatively low cost. While we appreciate that objective, we question the overall benefit of a conflict minerals audit without testing the implementation and execution of the controls and procedures (i.e., determining with reasonable

assurance that the controls were implemented and the procedures were performed by the registrant).

An example of a performance audit scope that might have a relatively low cost is one where an auditor reports on whether the registrant's procedures and controls described in the Report correspond to certain standards, such as the OECD's due diligence guidance. Under such an approach, an auditor could compare specific procedures and controls described in the Report to the recommendations in the OECD guidance. The degree of effort, and cost, associated with such an audit would depend on how much judgment is necessary to determine whether the descriptions in the Report correspond to the OECD's due diligence guidance, and the level of specificity at which the comparison is performed. The more specific the level of comparison to the OECD due diligence guidance, the more effort and cost would be associated with this alternative. Further, this alternative would not currently be possible for gold as that OECD supplement is still under development. While the findings of such an audit could reference the OECD's due diligence guidance, this example performance audit would not provide assurances as to whether the procedures and controls described in the Report were appropriately designed given the registrant's circumstances, satisfy the objectives of the OECD due diligence guidance, were executed effectively or at all, or whether they support management's conclusions concerning conflict minerals.

As the form of reporting and corresponding testing evolves away from a traditional audit/attestation model with an opinion on effectiveness or fair presentation, an expectation gap may be created for users accustomed to that model. If the SEC pursues a limited objective for the conflict minerals audit, such as the ones discussed above, we believe it becomes imperative for the final rule to clearly describe the limitations of the audit scope and objective, what assurances are and are not intended, as well as the cost and benefit considerations that informed the SEC's selection, including the more comprehensive approaches considered and ultimately not adopted as the required minimum. This level of transparency in the final rule will allow all constituents to understand the scope of the audit requirement, and the resulting conclusions to be reached by the auditor (including what conclusions the auditor is not requested to make).

\*\*\*\*\*

The AICPA is the national, professional association of CPAs, with over 370,000 members worldwide; including CPAs in business and industry, public practice, government, education, student affiliates and international associates. We appreciate the opportunity to comment and welcome the opportunity to serve as a resource to the SEC on these issues. If we can be of further assistance, please contact Charles E. Landes, CPA at 202-434-9211.

Sincerely,

A handwritten signature in black ink, appearing to read "Susan S. Coffey". The signature is fluid and cursive, with a large initial "S" and "C".

Susan S. Coffey, CPA  
AICPA Senior Vice President, Member Quality and International Affairs