



California
Society
Certified
Public
Accountants

May 15, 2009

Sherry Hazel
Audit and Attest Standards
AICPA
1211 Avenue of the Americas
New York, NY 10036-8775

RE: Proposed SAS, Understanding the Entity and Its Environment and Assessing the Risks of Material Misstatements (Redrafted)

Dear Ms. Hazel:

The Accounting Principles and Auditing Standards Committee of the California Society of Certified Public Accountants (the Committee) has discussed the above-referenced exposure draft and is pleased to have the opportunity to provide comments on it.

The AP&AS Committee is the senior technical committee of CALCPA. CALCPA has approximately 32,000 members. The Committee is comprised of 50 members, of whom 67 percent are from local or regional firms, 23 percent are sole practitioners in public practice, 5 percent are in industry and 5 percent are in academia.

Paragraph 4 definition of Business risk – We are concerned regarding the use of the term “inappropriate objectives and strategies” This term appears to be broad \ vague, which could be interpreted as expanding the scope of the auditor, and lead to potential litigation for “second guessing” ownership \ management strategies. (i.e. Does inappropriate merely refer to fraudulent, or does it encompass unethical and inefficient?)

We were pleased to see additional narrative that gives consideration to smaller, less complex entities such as A 131.

We noted what appears to be an inconsistency in A3. Why use the term “required” in the first sentence vs. “should” as was the case in the original SAS?

Assuming the use of the term “public sector” in the International Standards is synonymous with the term “Governmental Entity” as used in the proposed standard, we feel that A19 as it appears in the ISA should be retained in the proposed SAS for clarity or a “heads up” to the auditor. This would appear to be consistent with A 62. If this paragraph was included, we would suggest deleting reference to “ministerial directives”.

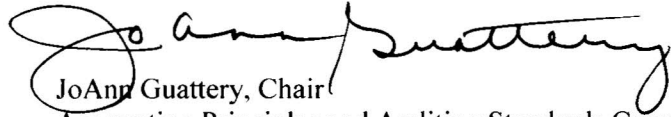
In A133 we believe replacing “and” with “if” would provide some clarity.

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We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Very truly yours,

A handwritten signature in black ink, appearing to read "JoAnn Guattery". The signature is fluid and cursive, with a large initial "J" and "G".

JoAnn Guattery, Chair
Accounting Principles and Auditing Standards Committee
California Society of Certified Public Accountants