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Mr. Michael Glynn
Accounting and Review Services Committee
American Institute of Certified Public Accountants
1211 Avenue of the Americas
New York NY 10036-8775

Via email to: mglynn@aicpa.org

Re: Exposure Draft dated April 28, 2009 "Proposed Statements on Standards for Accounting and Review Services"

Dear ARSC Committee Members,

The Accounting Principles and Auditing Standards Committee (the AP&AS "Committee") of the California Society of Certified Public Accountants (CalCPA) is pleased to provide our comments to the Accounting and Review Services Committee (the "ARSC") on this Exposure Draft on Proposed Statements on Standards for Accounting and review Services (the "Exposure Draft").

The AP&AS Committee is the senior technical committee of the CalCPA. The CalCPA has approximately 32,000 members. The Committee comprises 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.

Proposed SSARS, Framework and Objectives for Performing and Reporting on Compilation and Review Engagements

As a broad overriding comment, our committee feels strongly that the introduction of the term "internal control services" into the SSARS literature is a mistake that will haunt the profession for years to come. "Internal control" is integral to performing an audit; our profession has taken great pains in the past to separate professional standards associated with audits from other service levels, i.e., reviews and compilations. There is simply no reason to introduce the words "internal control" into the SSARS literature. "Non-attest services" is a sufficient label for those services denoted in the ED as "internal control services". We urge you to reconsider the use of this ill advised term.

That said --

1. The Committee believes that the following concepts should be defined within the Exposure Draft:
a) Internal Control Services (referred to in paragraph 50); b) Moderate Assurance (referred to in Review Evidence definition).

2. On Page 16 in the OCBOA examples, item c., we agree with the sentence that says, “Ordinarily, a modification would have substantial support if the method is equivalent to the accrual basis of accounting for that item and if the method is not illogical.”
3. On Page 17, paragraph 10 final sentence: “Therefore, a compilation does not provide a basis for obtaining any level of assurance on the financial statements being compiled” is not the same as what is said on page 30 of *Compilation of Financial Statements, paragraph 12*, which states that “such financial statements appear to be appropriate in form and free from obvious material errors”. It is our opinion that the paragraph 10 sentence ought to mirror the later language.
4. On Page 18, paragraph 13, final bullet point, last sentence appears to be in conflict with the first sentence of paragraph 15. To correct this, we suggest that “specific” be changed to “every possible” so that the sentence reads “The possible effect of misstatements on every possible individual user, whose needs may vary widely, is not considered.”
5. On Page 25, paragraph 48: We feel that the final sentence is repetitive and possibly unclear. We suggest deleting the sentence that reads, “The nature, timing, and extent of procedures for gathering review evidence are deliberately limited relative to an audit.”
6. In general, we strongly support the idea that accountants will have the ability to indicate why they are not independent – i.e. financial interest versus assistance with internal controls.

Proposed SSARS, Compilation of Financial Statements

1. The Committee supports the requirement to document an understanding of a compilation engagement through a written communication with management (paragraph 2).
2. Page 32 discusses Internal Control Services as non-attest services. We would prefer to see the term “Internal Control Services” replaced with “non-attest services” within the meaning of AICPA Ethics Interpretation 101-3 definitions.
3. Page 35, paragraph 24 deals with reporting on a compilation when the accountant is not independent. In the second paragraph, we believe that the word “may” should be replaced with “should” in the sentence, “However, the accountant should provide a general description regarding the reason that his or her independence is impaired such as the following...”
4. Page 35, paragraph 24, part c. should replace “internal control services” with “non-attest services.” Additionally, the following clause should be deleted: “the objective of which is to prevent or detect or correct misstatements in the financial statements.” That clause appears to provide assurance that the services performed in conjunction with the compilation had the objective of preventing, detecting, and correcting misstatements, causing the reader to infer that the accountant provided a higher level of service than a compilation.

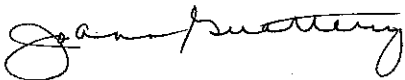
Proposed SSARS, Review of Financial Statements

1. The Committee supports the ability for an accountant to issue a review report when the accountant is not independent due to the performance of internal control services. However, as discussed above, we recommend changing the reference to “non-attest services” to conform with AICPA Interpretation 101-3 definitions.
2. The Committee supports the requirement to document the understanding of a review engagement in a written communication with management. (paragraph 3)

3. The Committee believes the requirement to apply professional judgment in determining the specific *timing* of review procedures goes beyond the performance requirements in a review engagement. The requirements to consider timing of procedures in an audit conducted in accordance with generally accepted auditing standards arises primarily from the ability to test internal controls throughout the audit period, or to obtain contemporaneous audit evidence when performing substantive audit procedures. We believe neither falls within the performance requirement of a review, and therefore believe the consideration of *timing* in a review engagement should not be required. (paragraphs 6, 9, 13 and elsewhere)
4. In paragraph 17, when an accountant has not obtained a moderate level of assurance with regard to an analytical inquiry, the proposed standard states the accountant “may need to perform other procedures...” We recommend the standard provide examples of such “other procedures” as illustrative guidance. Conversely, we recommend keeping proposed wording as is, but adding an ultimate sentence to paragraph 17 that states, “The accountant may therefore determine it is necessary to perform other procedures in order to corroborate management’s responses in order to achieve moderate level of assurance.” This is similar guidance to paragraph 20.
5. The Committee supports the written workpaper documentation requirements in a review engagement. (paragraph 24)
6. The Committee believes the additional paragraph requirement to modify the accountant’s review report for *lack of independence due to performance of internal control services* should be the ultimate paragraph of the review report. We believe current practice for compilation engagements places independence disclosures as the ultimate paragraph. Additionally, under generally accepted auditing standards, a modified paragraph before the opinion paragraph indicates a “qualification or scope limitation.” Although reporting by analogy is not a precise science, we believe readers of these new review reports will expect the independence disclosure as the ultimate paragraph of an accountant’s review report. We also believe that a reader will consider such paragraph before the conclusion paragraph to be akin to a “qualification or scope limitation.” The Committee strongly recommends the new paragraph related to independence in a review engagement be the ultimate paragraph in the accountant’s report. (paragraph 35)

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,



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